Absa Group Limited

Audited summary consolidated financial results for the reporting period ended 31 December 2020

Contents

The Board of Directors (Board) oversees the Group's activities and holds management accountable for adhering to the risk governance framework. To do so, directors review reports prepared by the businesses, risk, and others. They exercise sound independent judgement, and probe and challenge recommendations, as well as decisions made by management.

Finance is responsible for establishing a strong control environment over the Group's financial reporting processes and serves as an independent control function advising business management, escalating identified risks and establishing policies or processes to manage risk.

Finance is led by the Financial Director who reports directly to the Chief Executive Officer. The Financial Director has regular and unrestricted access to the Board as well as to the Group Audit Compliance Committee (GACC).

The GACC and the Board are satisfied that the details disclosed in the SENS result in the fair presentation of the summary consolidated financial results and comply, in all material respects, with the relevant provisions of the Companies Act, JSE Listings Requirements, IFRS and interpretations of IFRS, and SAICA's Reporting Guides.

Absa Group Limited

Summary consolidated financial results for the reporting period ended 31 December 2020

Authorised financial services and registered credit provider (NCRCP7)
Registration number: 1986/003934/06
Incorporated in the Republic of South Africa
JSE share code: ABG
ISIN: ZAE000255915

These summary consolidated financial results were prepared by Absa Group Financial Control under the direction and supervision of the Financial Director, J P Quinn CA(SA).

The financial information (the summary consolidated financial results and the consolidated and separate financial statements for the year ended 31 December 2020) is available for inspection at the Company's registered office on weekdays from 09:00 to 16:00.

The consolidated and separate financial statement and full audit opinion, including any key audit matters, will be available at https://www.absa.africa/absaafrica/investor-relations/annual-reports/ when the Group's consolidated and separate financial statements are released on or about 15 March 2021.

Profit and dividend announcement

for the reporting period ended 31 December

The numbers in the profit commentary represent IFRS results, unless specifically indicated as normalised.

Salient features

Absa Group Limited (the Group) discloses International Financial Reporting Standards (IFRS) financial results and a normalised view, which adjusts for the financial consequences of separating from Barclays PLC.

IFRS basis

- The Covid-19 pandemic and resulting lockdowns and economic downturn across our presence countries had a material impact on the Group's performance.
- Diluted headline earnings per share (HEPS) fell 58% to 730.5 cents from 1 747.6 cents.
- No ordinary dividend was declared for the period.
- Retail and Business Banking (RBB) South Africa's headline earnings declined 55% to R4 270m, Corporate and Investment Bank (CIB) South Africa declined 6% to R3 035m, and Absa Regional Operations (ARO) declined 56% to R1 589m.
- Return on equity (RoE) decreased to 5.2% from 13.1%. Revenue increased 2% to R81.6bn and operating expenses declined 1% to R48.1bn, resulting in a 59.0% cost-to-income ratio.
- Pre-provision profit increased 7% to R33.5bn.
- Credit impairments increased 163% to R20.6bn, resulting in a 1.92% credit loss ratio from 0.80%.
- Absa Group's IFRS Common Equity Tier 1 (CET 1) ratio of 11.2% remains well above regulatory requirements and within the Board's target range.
- Net asset value (NAV) per share rose 2% to 13 957 cents.

Normalised basis

- Diluted normalised headline earnings per share (HEPS) fell 51% to 946.0 cents from 1 923.3 cents.
- Normalised return on equity (RoE) decreased to 7.2% from 15.8%.
- Normalised revenue increased 2% to R81.4bn and operating expenses declined 2% to R45.6bn, resulting in a 56.0% cost-to-income ratio.
- Normalised pre-provision profit increased 7% to R35.8bn.
- Normalised net asset value (NAV) per share rose 4% to 13 103 cents.

Normalised reporting

Since the process of separating from Barclays PLC continues to have a material financial impact, Absa Group continues to report IFRS-compliant financial results and a normalised view. The latter adjusts for the consequences of the separation and better reflects its underlying performance.

Normalisation adjusts for the following items: R67m (2019: R195m) of interest earned on Barclays PLC's separation contribution; hedging revenue linked to separation activities of R144m (2019: R36m loss); operating expenses of R2 535m (2019: R2 410m) and R270m (31 December 2019: R113m) of other expenses, plus a R450m (2019: R538m) tax impact of the aforementioned items. In total, these adjustments added R1 927m (2019: R1 739m) to the Group's normalised headline earnings during the period. As normalisation occurs at a Group level, it does not affect divisional disclosures.

Constant currency

Constant currency (CCY) pro forma financial information has been presented to illustrate the impact of changes in the Group's major foreign currencies, namely the Botswana Pula, Ghanaian Cedi, Kenyan Shilling, Mauritius Rupee, Mozambique Metical, Seychelles Rupee, Tanzanian Shilling, Uganda Shilling, United States Dollar and Zambia Kwacha. The constant currency pro forma financial information has been prepared for illustrative purposes only and, because of its nature, the CCY pro forma financial information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows. In determining the CCY pro forma financial information, amounts denoted in the above listed currencies for the current period and prior period have been converted to the presentation currency using the spot exchange rate as at 31 December 2019. The CCY pro forma financial information is the responsibility of the Directors.

Overview of results

Absa Group's headline earnings declined 58% to R6 038m from R14 526 m and diluted HEPS fell 58% to 730.5 cents from 1 747.6 cents. The Group's RoE decreased to 5.2% from 13.1% and its return on assets was 0.40% from 1.07%. Revenue grew 2% to R81 593m, with net interest income growing 5% and non-interest income declining 3%. The Group's net interest margin decreased to 4.17% from 4.50%, largely due to significant policy rate cuts during the period and a change in balance sheet composition. With operating expenses declining 1%, the cost to-income ratio improved to 59.0% from 60.9%, and pre-provision profit grew 7% to R33.5bn. In CCY, pre-provision profit increased 5% and headline earnings fell 53%. Credit impairments grew 163% to R20.6bn, resulting in a 1.92% credit loss ratio from 0.80%. Gross loans and advances to customers grew 3% to R974bn, while deposits due to customers rose 15% to R952bn. The Group's NAV per share increased 2% to 13 957 cents. No ordinary dividend was declared for the period.

RBB South Africa's headline earnings fell 55% to R4 270m, while CIB South Africa's earnings declined 6% to R3 035m, both due to materially higher credit impairments. Total CIB headline earnings decreased 17% to R4 945m, given significantly higher credit impairments. ARO's headline earnings fell 56% to R1 589m, or 66% in CCY, with RBB and CIB declining 120% and 30%, respectively.

South African headline earnings declined 50% to R6 295m, while Africa Regions fell 54% to R1 670m, or 63% in CCY.

Profit and dividend announcement

for the reporting period ended 31 December

Operating environment

The Covid-19 pandemic upended the global economy in 2020, producing historic declines in economic activity across most countries. The IMF expects a global recession with real GDP declining 3.5% in 2020, with developed economies among the most impacted by the pandemic. The UK is estimated to have shrunk by 10% during 2020, the Euro Area by 7.2% and the US by 3.4%. Monetary and fiscal policy across all major economies are highly accommodative. Advanced economies are willing to stabilise public finances very slowly and, at the margin, to extend further policy support should economic activity stutter further.

Coming into 2020, South Africa's economy was already under pressure and shrinking, amid low consumer and business confidence, electricity supply concerns and delayed structural reforms. The hard lockdown during the second quarter produced a historic decline in economic activity, and even as restrictions eased in subsequent months, many sectors remained under significant pressure. Real GDP shrank 7.1% during 2020, well below the 0.9% growth we expected before the pandemic. Aided by modest inflation, the Reserve Bank reduced the policy rate by 300 basis points (bps), to a record low of 3.5%. The government also provided direct support to a large number of vulnerable households and businesses, which saw the fiscal deficit increase sharply. In light of its deteriorating debt metrics, Moody's withdrew South Africa's last investment grade credit rating in March 2020.

Growth in our main ARO countries also slowed sharply during 2020. Weighted real GDP declined 0.4%, the first regional recession in several decades and significantly lower than the 5.6% growth we forecast a year ago. There were lockdowns in several markets, albeit shorter and generally less restrictive than South Africa's. Lower commodity prices (excluding gold) hurt others, while reduced tourism placed significant strain on countries where the sector is a significant employer and source of hard currency. Direct fiscal support for the economic recovery was generally muted, although some countries like Kenya announced tax breaks. Budget deficits trended higher everywhere on weaker revenues. Policy rates in most ARO countries were reduced during 2020, as monetary authorities took advantage of generally modest inflation to mitigate some of the impact of Covid-19.

Group performance

Statement of financial position

Total assets increased 9% to R1 531bn at 31 December 2020, reflecting 1% growth in net loans and advances to customers, 41% higher loans and advances to banks, while investment securities and trading portfolio assets grew 31% and 35% respectively.

Gross loans and advances to customers

Gross loans and advances to customers increased 3% to R974bn. RBB South Africa loans rose 4% to R552bn, as Vehicle and Asset Finance grew 9% to R95bn, Home Loans increased 5% to R255bn, Credit Cards rose 3% to R46bn, while Relationship Banking and Personal Loans were flat at R128bn and R24bn respectively. CIB South Africa's gross loans grew 2% to R306bn, including 23% growth in mortgages, flat foreign currency loans and 28% lower overdrafts. ARO gross loans declined 1% (grew 2% in CCY) to R115bn, as RBB increased 8% and CIB decreased 10%.

Funding

Group liquid assets and other sources of liquidity grew 11% to R260bn, which equates to over 27% of customer deposits. The Group's liquidity coverage ratio was 121% and its net stable funding ratio 116%, both well above the minimum regulatory requirement. Deposits due to customers grew 15%, or 16% in CCY, to R952bn. The loans-to-deposits and debt securities ratio decreased 84.7% from 93.0%. Deposits due to customers constituted 80% of total funding from 75%. RBB South Africa's deposits grew 12% to R416bn, as savings and transmission deposits increased 18% and fixed deposits decreased 1%, while cheque account deposits rose 14%. CIB South Africa's deposits grew 36% to R283bn, due to 68% growth in call deposits, with cheque account deposits and fixed deposits increasing 60% and 12% respectively, partially offset by 45% lower repurchase agreements with non-banks. ARO's deposits increased 6% to R159bn, or 11% in CCY, as RBB grew 11% and CIB decreased 1%.

Net asset value

The Group's NAV increased 2% to R116bn and NAV per share grew 2% to 13 957 cents. During the year, it generated retained earnings of R5.3bn and paid R5.1bn in ordinary dividends. The foreign currency translation reserve decreased by R0.8bn and the cash flow hedging reserve grew by R4.0bn.

Capital to risk-weighted assets

Group risk-weighted assets (RWAs) increased 5% to R915bn at 31 December 2020, largely due to 6% higher credit risk RWAs. The Group remains well capitalised, comfortably above minimum regulatory capital requirements. The Group's CET 1 and total capital adequacy ratios were 11.2% and 15.0% respectively, from 12.1% and 15.8%. Given the Group's focus on preserving capital, it did not declare an ordinary dividend for the period.

Statement of comprehensive income

Net interest income

Net interest income increased 5% to R48 857m from R46 501m, or 4% in CCY, while average interest-bearing assets grew 14%. The Group's net interest margin declined to 4.17% from 4.50%. The loan margin improved 11 bps, with pricing widening by 4 bps largely in Home Loans and Investment Banking in South Africa. Slower growth in Home Loans and CIB SA relative to overall interest-bearing assets had a positive loan composition impact. Deposit margins decreased 18 bps, with pricing down 7 bps, mainly due to competitive pricing in RBB SA and Corporate SA where the ability to pass on the impact of lower rates is constrained. Reduced reliance on wholesale funding had a positive composition impact, partially offset by growth in low-margin Corporate SA deposits.

Given lower policy rates in South Africa, the structural hedge released R2 553m to the income statement or 22 bps (versus R595m or 6 bps in 2019). The programme's after-tax cash flow hedging reserve increased to R4.3bn at 31 December 2020 from R1.1bn the previous year. After hedging, the endowment on equity and liabilities had a net 7 bps negative contribution, largely due to these growing slower than interest-bearing assets. ARO reduced the Group margin by 10 bps, due to lower policy rates across markets and competitive pricing pressures. There was a 15 bps negative mix impact from deploying surplus liquidity into low-margin assets, while the negative reset impact of 300 bps of rate cuts during the period reduced the margin by 8 bps. These were partially offset by a wider prime-JIBAR differential and higher yields on the liquid asset portfolio.

Group performance (continued)

Statement of comprehensive income (continued)

Non-interest income

Non-interest income decreased 3% (or 4% in CCY) to R32 736m from R33 619m to account for 40.0% of total revenue from 42.0%. Net fee and commission income fell 9% to R21 597m, representing 66% of total non-interest income. Within this, transactional fees and commissions decreased 7%, with cheque account and electronic banking down 7% and 3% respectively. Credit card fees fell 20%, largely due to disposing of the Edcon portfolio. Merchant income declined 3% to R2 209m, reflecting the Covid-19 lockdown. Net trading income, excluding the impact of hedge accounting, rose 21% to R6 016m, as Global Markets income in South Africa increased 41% and ARO grew 24%.

RBB South Africa's non-interest income fell 8% to R21 395m, as Everyday Banking declined 7% to R11 332m and Relationship Banking decreased 12% to R5 588m, while the Insurance Cluster was 9% lower at R2 917m. CIB South Africa increased 13% to R4 258m, despite negative fair value adjustments taken on a legacy portfolio in the first half. ARO's non-interest income grew 4% (decreased 1% in CCY) to R6 270m, as CIB increased 16% while RBB fell 7%.

Impairment losses (credit impairments)

The largest impact of the Covid-19 pandemic and the resulting economic downturn on the Group's result was credit impairments, particularly given that IFRS 9 requires provisions for expected future credit losses. Credit impairments rose 163% to R20 569m from R7 816m, which increased the Group's credit loss ratio on gross loans and advances to customers and banks to 1.92% from 0.80%. The credit loss ratio is significantly higher than the Group's expected through-the-cycle charge of 0.75% to 1.0%. The credit charge includes R5 357m of Covid-19 management adjustments, which factored in deteriorating macroeconomic expectations and the substantial payment relief granted to customers during the period. Payment relief was granted on loans and advances to customers with a gross carrying value of R219bn or 22% of the Group total. The vast majority of payment relief has expired. Of the payment relief portfolios, 92% of RBB SA was up to date, while CIB SA and ARO were 97% and 89% respectively at 31 December 2020. Credit impairments also included R2 734m raised for single name exposures. Group balance sheet coverage of loans increased to 4.54% from 3.27%.

RBB SA's credit impairments increased 134% to R14 621m from R6 253m, resulting in a 2.64% credit loss ratio from 1.18%. Home Loans' charge grew 1 103% to R2 189m resulting in a 0.88% credit loss ratio from 0.08%. Vehicle and Asset Finance credit impairments rose 179% to R3 062m, increasing its credit loss ratio to 3.45% from 1.34%. Everyday Banking's credit impairments (including Personal Loans, Card and overdrafts) grew 58% to R7 337m, or an 8.42% credit loss ratio from 5.50%. Relationship Banking's credit impairments rose 531% to R2 032m, increasing its credit loss ratio to 1.59% from 0.26%. CIB South Africa's credit impairments rose 432% to R1 951m from R367m, resulting in a credit loss ratio of 0.54% from 0.11%. ARO's credit charge grew 229% to R3 995m from R1 213m, increasing its credit loss ratio to 2.66% from 0.98%. Within ARO, RBB's charge rose 124% to R2 507m, resulting in a 3.90% credit loss ratio, while CIB's increased 675% to R1 340m or a 1.85% credit loss ratio.

Operating expenses

Operating expenses decreased 1% (CCY 3%), to R48 111m from R48 767m, improving the Group's cost-to-income ratio to 59.0% from 60.9%. Staff costs declined 3% and accounted for 53% of total operating expenses. Salaries, the largest component of staff costs, increased 1%. Bonuses fell 37%, reflecting a reduction of the incentive pool in line with Group earnings, partially offset by lower deferrals. Headcount decreased 5% to 36 737. Non-staff costs rose 1%, although depreciation increased 8% and amortisation of intangible assets rose 47%. Marketing costs and cash transportation costs decreased by 32% and 9%, respectively. Telephone and postage decreased 5%, while printing and stationery declined 1%. Property costs increased 8%, largely due to Covid-19 costs for protective equipment. Professional fees grew 10%, given increased project-related spend on change and technology. Total IT-related spend grew 9% to R10 128m and constituted 22% of Group operating expenses.

RBB South Africa's costs fell 8% to R26 406m, reflecting prior year restructuring and reduced volume-related costs. CIB South Africa's expenses were flat at R6 490m, due to cost-saving initiatives and lower bonus provisions. ARO's expenses increased 12%, or 8% in CCY, to R12 085m given restructuring costs to right-size the business, investment in technology and higher incremental run costs after separating from Barclays PLC.

Taxation

The Group's taxation expense fell 45% to R3 156m from R6 310m, slightly less than the decrease in operating profit before income tax, resulting in an effective tax rate of 30.4% from 26.5%.

Segment performance

RBB South Africa

Headline earnings fell 55% to R4 270m, due to 134% higher credit impairments as pre-provision profits grew 6%. Revenue declined 2% to R48 577m, as net interest income rose 4% and non-interest income decreased 8%. Costs decreased 8% to R26 406m, resulting in a cost-to-income ratio of 54.4% from 57.7%. The credit loss ratio increased to 2.64% from 1.18%. RBB South Africa generated a return on regulatory capital (RoRC) of 9.4%, from 21.4%, and contributed 48% of total Group headline earnings excluding the Group centre.

Everyday Banking headline earnings fell 44% to R1 967m, given substantially higher credit impairments. Within this, Transactional and Deposits headline earnings increased 11% to R2 478m, while considerably higher credit impairments saw Card's earnings drop 99% to R5m while Personal Loans lost R516m. Home Loans earnings decreased 71% to R453m, as significantly higher credit impairments outweighed 17% higher pre-provision profits. Vehicle and Asset Finance lost R993m, despite 33% pre-provision profit growth, as credit impairments almost trebled. Relationship Banking's headline earnings fell 31% to R2 522m, although pre-provision profits grew 4%, again due to significantly higher credit impairments. The Insurance Cluster headline earnings decreased 12% to R1 114m, with Life Insurance falling 30%, while Short-term Insurance grew 42%.

Profit and dividend announcement

for the reporting period ended 31 December

Segment performance (continued)

CIB South Africa

Headline earnings decreased 6% to R3 035m, as credit impairments increased 432%, resulting in a 0.54% credit loss ratio from 0.11%. Pre-provision profits grew 33% as 14% revenue growth exceeded flat costs. Corporate earnings declined 14% to R838m, due to significantly higher credit impairments, while Investment Bank earnings decreased 2% to R2 197m for the same reason. CIB South Africa contributed 34% of total headline earnings, excluding the Group centre, and generated an 11.1% RoRC from 13.3%.

Total CIB earnings decreased 17% to R4 945m. Pre-provision profits increased 22%, as revenue grew 14% and costs 7%. Credit impairments were 509% higher, resulting in a 0.76% credit loss ratio from 0.14%. Total Corporate earnings dropped 35% to R1 900m, while the Investment Bank grew 1% to R3 045m. Total CIB contributed 56% of headline earnings excluding the Group centre and produced a 13.3% RoRC from 18.2%.

Absa Regional Operations

Headline earnings fell 56% (66% in CCY) to R1 589m, as credit impairments rose 229%. Revenue grew 8%, or 2% in CCY, to R20 149m, including 4% higher non-interest income. Costs rose 12%, or 8% in CCY, to R12 085m, resulting in a 60.0% cost-to-income ratio. RBB ARO made a R161m loss, due to significantly higher credit impairments, while CIB ARO earnings fell 30% to R1 910m for the same reason. ARO accounted for 18% of total headline earnings, excluding the Group centre, and produced a 7.4% RoE from 19.0%.

Prospects

Substantial uncertainty continues to surround the global economic outlook, which depends on the roll out of effective vaccines and additional policy support. The IMF expects global real GDP growth to rebound to 5.5% in 2021, with strong growth from the US among developed economies and China in the developing world. After declining 2.6% in 2020, the IMF expects 3.2% growth from sub-Saharan Africa, with a wide range among individual countries.

Similarly, there is significant uncertainty as South Africa works through its largest economic shock since the early 1930s. We forecast 3.1% growth in South Africa during 2021, although we expect GDP to only recover to 2019 levels by 2023. The timely rollout of an appropriate vaccination programme is critical. However, employment and consumer spending will remain under pressure and business confidence and investment is likely to recover slowly. South Africa's fiscal trajectory will be of particular importance, as National Treasury tries to restrain public sector wage growth to improve the state's finances. We believe that the Reserve Bank will leave the policy rate unchanged this year, before increasing it by 75 basis points in 2022.

We expect the economy in our ARO presence countries to rebound in 2021, with GDP-weighted growth of 4.5%. Economies dependent on tourism, such as Seychelles, Mauritius and Botswana, are expected to recover more slowly than the more diversified East African economies. Policy rates are likely to rise, albeit gradually, in a number of our ARO countries during 2021 and public finances will become a central focus amongst policymakers in several markets.

Based on these assumptions, and excluding any major unforeseen political, macroeconomic or regulatory developments, our guidance for 2021 is as follows:

We expect low to mid-single digit growth in net interest income, and slightly better in constant currency, given improved customer loan growth of mid- to high single digits. While non-interest income growth is expected to improve, it is likely to remain low.

We will continue to manage operating expenses tightly, while maintaining investment in systems and digitisation. Despite increased variable and performance costs, we expect low single digit growth. As a result, we expect flat operating Jaws in 2021, although the first half is likely to be negative. Our cost-to-income ratio is to be in line with 2020's 56.0%. Thus, we expect slower pre-provision profit growth, particularly in the first half.

After 2020's substantial build, credit impairments are expected to decrease, particularly in the first half, resulting in a 2021 credit loss ratio slightly above our through-the-cycle range of 75 to 100 bps.

Consequently, we expect our RoE to improve materially, particularly in the first half, to low double digits for the year, although it will remain below our cost of equity. At this stage, we expect to exceed our cost of equity in 2023, and this remains heavily dependent upon GDP forecasts. We will provide more detailed medium-term guidance once there is less economic forecast risk.

The Group's performance year-to-date, including earnings, has been stronger than we expected.

In line with our previous guidance, we did not declare any ordinary dividends for 2020. On our capital outlook and dividend policy, we will follow a balanced approach between retaining sufficient capital for growth, resuming dividends and a period of capital accretion to build and then maintain a position of broadly the mid-point of our 11.0 to 12.5% Group CET 1 target range. We expect to gradually resume paying dividends from interim 2021, starting with a dividend cover of 30% and increasing to 50% over the medium term. In the absence of appropriate loan growth, we would return excess capital to shareholders.

The forward-looking information is the responsibility of the directors. The forecast information has not been reviewed or reported on by the Group's external auditors.

Dividend

In line with previous guidance, no ordinary dividend was declared for the period, given our focus on capital preservation in the current environment.

IFRS summary consolidated financial results

for the reporting period ended 31 December

Basis of preparation

IFRS financial results

The Group's audited summary consolidated financial results have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee (IFRS-IC), the South African Institute of Chartered Accountants' Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited Listings Requirements and the requirements of the Companies Act.

The information disclosed in the SENS is derived from the information contained in the audited annual consolidated financial statements which include the audit report detailing the key audit matters and does not contain full or complete disclosure details. Any investment decisions by shareholders should be based on consideration of the audited annual consolidated financial statements, which is available on request.

The preparation of financial information requires the use of estimates and assumptions about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. The effects of the Covid-19 pandemic have resulted in significant estimation uncertainty during the year. The accounting policies that are deemed critical to the Group's results and financial position, in terms of the materiality of the items to which the policies are applied, and which involve a high degree of judgement include the use of assumptions and estimation, impairment of financial assets measured at amortised cost, capitalisation, amortisation and impairment of internally generated intangible assets , fair value measurements, consolidation of structured or sponsored entities, post-retirement benefits, provisions, income taxes, share-based payments, liabilities arising from claims made under short-term and long-term insurance contracts and offsetting of financial assets and liabilities.

Further information on changes in estimation uncertainty implemented during the reporting period is further detailed in the attached notes to the summary consolidated financial results, refer to Note 1.

In light of the continued anticipated, economic impact of Covid-19, the Directors have made an assessment of the Group's ability to continue as a going concern and acknowledged the risk of lower revenue in the medium term. The Directors have concluded that there are no material uncertainties that could have cast significant doubt over the Group's ability to continue as a going concern for at least a year from the date of approval of the financial results.

Accounting policies

The accounting policies applied in preparing the summary consolidated financial results are the same as those in place for the Group's annual consolidated financial statements for the reporting period ended 31 December 2019 except for:

- Change in accounting policy in the consolidated statement of cash flows (Consolidated statement of cashflows)
  The Group has voluntarily amended the basis on which the statement of cash flows is presented from the direct to the indirect method. For further details of the impact of the change refer to note 1.21 in the notes to the consolidated financial statements. As part of the implementation of the cash flow statement on the indirect basis, the cash movements relating to investments linked to investment contracts have been moved from investing activities to operating activities as this relates to a principal revenue producing activity. This has resulted in a reclassification of the net decrease in investments linked to investment contracts cash flows of R1 157m (2019) from investing activities to the movement in other assets in operating activities.
- Amendment to IFRS 9 *Financial Instruments* (IFRS 9), IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39) and IFRS 7 *Financial Instruments Disclosures* (IFRS 7).
- Amendment to IFRS 3 *Business Combinations* (IFRS 3).

Standards issued not yet effective

IFRS 17 – Insurance contracts

IFRS 17 *Insurance Contracts* establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles for reinsurance contracts held and issued investment contracts with discretionary participation features. The standard brings a greater degree of comparability and transparency about an insurer's financial health and the profitability of new and in-force insurance business.

On 25 June 2020, the International Accounting Standards Board issued amendments to IFRS 17 resulting from the Exposure Draft that was published on 26 June 2019 and subsequent redeliberations based on feedback received. The effective date of IFRS 17 has been deferred to annual reporting periods beginning on or after 1 January 2023.

During 2018, the Group's joint insurance programme focused on interpreting the requirements of the new accounting standard, solution design, model prototyping as well as the commencement of an impact assessment. During 2019, the solution design was approved and development activities commenced. During 2020, development activities continued and the new data process that supports the new IFRS 17 standard was established. During 2021, the actuarial software as well as impacted financial processes will be upgraded to ensure compliance. The programme plans for a full year of parallel runs in 2022 to ensure the end to end solution inclusive of the transition and impact assessment is fully understood, quantified and implemented ahead of the compliance date of 1 January 2023.

The IFRS 17 programme is currently on track to deliver an integrated actuarial and finance solution.

IFRS summary consolidated financial results

for the reporting period ended 31 December

Auditor's report

Ernst & Young Inc. (EY), the Group's independent auditor, has audited the annual consolidated and separate financial statements of Absa Group Limited from which management prepared the summary consolidated financial results. The auditor has expressed an unqualified audit opinion on the consolidated annual financial statements. The full audit opinion, including any key audit matters, is available on the following link: https://www.absa.africa/absaafrica/investor-relations/annual-reports/, as part of the Group's annual financial statements, which have been released in conjunction with these results. The summary consolidated financial results comprise the summary consolidated statement of financial position at 31 December 2020, the summary consolidated statement of comprehensive income, the summary consolidated statement of changes in equity and the summary consolidated statement of cash flows for the year then ended and selected explanatory notes .

The summary consolidated financial results (on pages 9 to 59) excluding the sections marked as 'unaudited' in note 1, for the year ended 31 December 2020 have been audited by EY, who expressed an unqualified opinion thereon. A copy of the auditor's report on the summary consolidated financial results as well as the independent reporting accountant's report on the normalised financials results and the constant currency proforma financial information is available for inspection at the Group's registered office.

Events after the reporting period

The Directors are not aware of any other events (as defined per IAS 10 Events after the Reporting Period) after the reporting date of 31 December 2020 until the date of authorisation of these audited summary consolidated financial results.

On behalf of the Board

W E Lucas-Bull
Group Chairman

D Mminele
Group Chief Executive

J P Quinn
Financial Director

Johannesburg
15 March 2021

Summary consolidated IFRS salient features

for the reporting period ended 31 December

	Note	2020 Rm	2019 Rm
Statement of comprehensive income (Rm)			
Income		**81 593**	80 120
Operating expenses		**48 111**	48 767
Profit attributable to ordinary equity holders		**5 880**	14 256
Headline earnings	7	**6 038**	14 526
Statement of financial position			
Gross loans and advances to customers (Rm)		**973 602**	946 715
Total assets (Rm)		**1 531 120**	1 399 175
Deposits due to customers (Rm)		**951 894**	826 293
Loans to deposits and debt securities ratio (%)		**84.7**	93.0
Average loans to deposits and debt securities ratio (%)		**86.2**	87.5
Financial performance (%)			
Return on equity (RoE)		**5.2**	13.1
Return on average assets (RoA)		**0.40**	1.07
Return on risk-weighted assets (RoRWA)		**0.66**	1.71
Stage 3 loans ratio on gross loans and advances		**6.28**	4.67
Operating performance (%)			
Net interest margin on average interest-bearing assets		**4.17**	4.50
Credit loss ratio on gross loans and advances to customers and banks		**1.92**	0.80
Non-interest income as a percentage of total income		**40.1**	42.0
Cost-to-income ratio		**59.0**	60.9
Jaws		**3**	1
Effective tax rate		**30.4**	26.5
Share statistics (million)			
Number of ordinary shares in issue		**847.8**	847.8
Number of ordinary shares in issue (excluding treasury shares)		**828.8**	828.7
Weighted average number of ordinary shares in issue		**826.1**	830.0
Diluted weighted average number of ordinary shares in issue		**826.6**	831.2
Share statistics (cents)			
Basic earnings per ordinary share (EPS)		**711.8**	1 717.6
Diluted basic earnings per ordinary share (DEPS)		**711.3**	1 715.1
Headline earnings per ordinary share (HEPS)	7	**730.9**	1 750.1
Diluted headline earnings per ordinary share (DHEPS)	7	**730.5**	1 747.6
Dividend per ordinary share relating to income for the reporting period		**—**	1 125
Dividend cover (times)		**—**	1.6
NAV per ordinary share		**13 957**	13 669
Tangible NAV per ordinary share		**12 623**	12 426
Capital adequacy (%)			
Absa Group Limited		**15.0**	15.8
Absa Bank Limited		**15.6**	16.7
Common Equity Tier 1 (%)			
Absa Group Limited		**11.2**	12.1
Absa Bank Limited		**10.6**	11.9

Summary consolidated statement of financial position

as at 31 December

	Note	2020 Rm	2019 Rm
Assets			
Cash, cash balances and balances with central banks		**60 682**	52 532
Investment securities		**153 504**	116 747
Loans and advances to banks	3	**84 538**	59 745
Trading portfolio assets		**213 521**	158 348
Hedging portfolio assets		**11 000**	3 358
Other assets		**20 417**	30 343
Current tax assets		**865**	1 682
Non-current assets held for sale	2	**144**	3 992
Loans and advances to customers	3	**929 969**	916 978
Reinsurance assets		**680**	886
Investments linked to investment contracts		**21 273**	20 042
Investments in associates and joint ventures		**1 601**	1 648
Investment properties		**496**	513
Property and equipment		**17 094**	18 620
Goodwill and intangible assets		**11 050**	10 300
Deferred tax assets		**4 286**	3 441
Total assets		**1 531 120**	1 399 175
Liabilities			
Deposits from banks		**96 106**	117 423
Trading portfolio liabilities		**108 976**	59 224
Hedging portfolio liabilities		**4 868**	1 379
Other liabilities		**33 905**	46 355
Provisions		**3 959**	4 064
Current tax liabilities		**290**	172
Non-current liabilities held for sale	2	**—**	112
Deposits due to customers		**951 894**	826 293
Debt securities in issue		**145 740**	159 794
Liabilities under investment contracts		**27 533**	29 700
Policyholder liabilities under insurance contracts		**4 198**	4 331
Borrowed funds	4	**20 761**	21 418
Deferred tax liabilities		**587**	227
Total liabilities		**1 398 817**	1 270 492
Equity			
Capital and reserves			
Attributable to ordinary equity holders:			
Share capital		**1 657**	1 657
Share premium		**10 561**	10 428
Retained earnings		**95 345**	95 386
Other reserves		**8 108**	5 807
		115 671	113 278
Non-controlling interest – ordinary shares		**4 984**	4 966
Non-controlling interest – preference shares		**4 644**	4 644
Non-controlling interest – additional Tier 1 capital		**7 004**	5 795
Total equity		**132 303**	128 683
Total liabilities and equity		**1 531 120**	1 399 175

Summary consolidated statement of comprehensive income

for the reporting period ended 31 December

	Note	2020 Rm	2019 Rm
Net interest income		**48 857**	46 501
Interest and similar income		**93 051**	97 838
Effective interest income		**91 264**	96 040
Other interest income		**1 787**	1 798
Interest expense and similar charges		**(44 194)**	(51 337)
Non-interest income	5	**32 736**	33 619
Net fee and commission income		**21 597**	23 606
Fee and commission income		**25 120**	26 759
Fee and commission expense		**(3 523)**	(3 153)
Net insurance premium income		**8 286**	7 830
Net claims and benefits incurred on insurance contracts		**(4 205)**	(3 747)
Changes in investment and insurance contract liabilities		**(2 262)**	(1 589)
Gains and losses from banking and trading activities		**6 379**	5 408
Gains and losses from investment activities		**2 199**	1 600
Other operating income		**742**	511
Total income		**81 593**	80 120
Impairment losses	1.2.1	**(20 569)**	(7 816)
Operating income before operating expenses		**61 024**	72 304
Operating expenses		**(48 111)**	(48 767)
Other expenses		**(2 508)**	(2 006)
Other impairments	6	**(464)**	(330)
Indirect taxation		**(2 044)**	(1 676)
Share of post-tax results of associates and joint ventures		**(36)**	221
Operating profit before income tax		**10 369**	21 752
Taxation expense		**(3 156)**	(5 772)
Profit for the reporting period		**7 213**	15 980
Profit attributable to:			
Ordinary equity holders		**5 880**	14 256
Non-controlling interest – ordinary shares		**437**	937
Non-controlling interest – preference shares		**307**	352
Non-controlling interest – additional Tier 1 capital		**589**	435
		7 213	15 980
Earnings per share:			
Basic earnings per share (cents)		**711.8**	1 717.6
Diluted earnings per share (cents)		**711.3**	1 715.1

Summary consolidated statement of comprehensive income

for the reporting period ended 31 December

	2020 Rm	2019 Rm
Profit for the reporting period	**7 213**	15 980
Other comprehensive income		
Items that will not be reclassified to profit or loss	**(578)**	(112)
Movement on equity instruments designated at fair value through other comprehensive income (FVOCI)	**(5)**	60
Fair value (losses)/gains	**(7)**	77
Deferred tax	**2**	(17)
Movement on liabilities designated at FVTPL due to changes in own credit risk	**(82)**	(44)
Fair value movements	**(116)**	(61)
Deferred tax	**34**	17
Movement in retirement benefit fund assets and liabilities	**(491)**	(128)
Decrease in retirement benefit surplus	**(100)**	(38)
Increase in retirement benefit deficit	**(433)**	(104)
Deferred tax	**42**	14
Items that are or may be subsequently reclassified to profit or loss	**2 646**	(1 034)
Movement in foreign currency translation reserve	**(808)**	(1 387)
Differences in translation of foreign operations	**(690)**	(1 505)
Release to profit or loss	**(118)**	118
Movement in cash flow hedging reserve	**3 997**	913
Fair value gains	**9 034**	2 081
Amounts transferred within other comprehensive income	**5**	(7)
Amount removed from other comprehensive income and recognised in profit or loss	**(3 488)**	(806)
Deferred tax	**(1 554)**	(355)
Movement in fair value of debt instruments measured at FVOCI	**(543)**	(560)
Fair value losses	**(773)**	(811)
Release to profit or loss	**(32)**	(20)
Deferred tax	**262**	271
Total comprehensive income for the reporting period	**9 281**	14 834
Total comprehensive income attributable to:		
Ordinary equity holders	**7 877**	13 202
Non-controlling interest – ordinary shares	**508**	845
Non-controlling interest – preference shares	**307**	352
Non-controlling interest – additional Tier 1 capital	**589**	435
	9 281	14 834

Summary consolidated statement of changes in equity

for the reporting period ended 31 December

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit-risk reserve Rm	Fair value through other compre-hensive income reserve Rm
Balance at the end of the previous reporting period	828 628	1 657	10 428	95 386	5 807	912	(628)
Total comprehensive income	—	—	—	5 293	2 584	—	(597)
Profit for the period	—	—	—	5 880	—	—	—
Other comprehensive income	—	—	—	(587)	2 584	—	(597)
Dividends paid during the reporting period	—	—	—	(5 115)	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—	—
Issuance of additional Tier 1 capital	—	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(965)	92	—	—	—
Elimination of the movement in Treasury shares held by Group entities	161	0	133	—	—	—	—
Movement in share-based payment reserve	—	—	965	—	(543)	—	—
Transfer from share-based payment reserve	—	—	965	—	(965)	—	—
Value of employee services	—	—	—	—	409	—	—
Deferred tax	—	—	—	—	13	—	—
Movement in general credit risk reserve	—	—	—	(269)	269	269	—
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(27)	27	—	—
Share of post-tax results of associates and joint ventures	—	—	—	36	(36)	—	—
Disposal of non-controlling interest[1]	—	—	—	—	—	—	—
Acquisition of non-controlling interest[2]	—	—	—	(51)	—	—	—
Balance at the end of the reporting period	828 789	1 657	10 561	95 345	8 108	1 181	(1 225)

[1] On 27 November 2020, Absa Group Limited disposed of First Assurance Tanzania, which was housed in Absa Regional Operations.

[2] On 15 December 2020, Absa acquired the remaining minority interest of Instant Life Proprietary Limited, increasing its shareholding in this entity to 100%.

2020

Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Non-controlling interest – additional Tier 1 capital Rm	Total equity Rm
1 316	1 750	13	926	1 518	113 278	4 966	4 644	5 795	128 683
3 997	(816)	—	—	—	7 877	508	307	589	9 281
—	—	—	—	—	5 880	437	307	589	7 213
3 997	(816)	—	—	—	1 997	71	—	—	2 068
—	—	—	—	—	(5 115)	(452)	(307)	—	(5 874)
—	—	—	—	—	—	—	—	(589)	(589)
—	—	—	—	—	—	—	—	1 209	1 209
—	—	—	—	—	(873)	—	—	—	(873)
—	—	—	—	—	133	—	—	—	133
—	—	—	(543)	—	422	—	—	—	422
—	—	—	(965)	—	—	—	—	—	—
—	—	—	409	—	409	—	—	—	409
—	—	—	13	—	13	—	—	—	13
—	—	—	—	—	—	—	—	—	—
—	—	27	—	—	—	—	—	—	—
—	—	—	—	(36)	—	—	—	—	—
—	—	—	—	—	—	(14)	—	—	(14)
—	—	—	—	—	(51)	(24)	—	—	(75)
5 313	934	40	383	1 482	115 671	4 984	4 644	7 004	132 303

Summary consolidated statement of changes in equity

for the reporting period ended 31 December

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit-risk reserve Rm	Fair value through other compre-hensive income reserve Rm
Balance at the end of the previous reporting period	827 477	1 655	10 205	91 237	6 387	823	(80)
Impact of adopting new accounting standards at 1 January 2019							
IFRS 16	—	—	—	(243)	—	—	—
Adjusted balance at the beginning of the reporting period	827 477	1 655	10 205	90 994	6 387	823	(80)
Total comprehensive income	—	—	—	14 147	(945)	—	(548)
Profit for the period	—	—	—	14 256	—	—	—
Other comprehensive income	—	—	—	(109)	(945)	—	(548)
Dividends paid during the reporting period	—	—	—	(9 377)	—	—	—
Transactions with non-controlling interest holders	—	—	—	—	—	—	—
Distributions paid during the reporting period	—	—	—	—	—	—	—
Issuance of additional Tier 1 capital	—	—	—	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(400)	(62)	—	—	—
Elimination of the movement in Treasury shares held by Group entities	1 151	2	223	—	—	—	—
Movement in share-based payment reserve	—	—	400	—	49	—	—
Transfer from share-based payment reserve	—	—	400	—	(400)	—	—
Value of employee services	—	—	—	—	470	—	—
Deferred tax	—	—	—	—	(21)	—	—
Movement in general credit risk reserve	—	—	—	(89)	89	89	—
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(6)	6	—	—
Share of post-tax results of associates and joint ventures	—	—	—	(221)	221	—	—
Balance at the end of the reporting period	828 628	1 657	10 428	95 386	5 807	912	(628)

2019

Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates and joint ventures reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Non-controlling interest – additional Tier 1 capital Rm	Total equity Rm
403	3 060	7	877	1 297	109 484	4 737	4 644	2 741	121 606
—	—	—	—	—	(243)	(13)	—	—	(256)
403	3 060	7	877	1 297	109 241	4 724	4 644	2 741	121 350
913	(1 310)	—	—	—	13 202	845	352	435	14 834
—	—	—	—	—	14 256	937	352	435	15 980
913	(1 310)	—	—	—	(1 054)	(92)	—	—	(1 146)
—	—	—	—	—	(9 377)	(613)	(352)	—	(10 342)
—	—	—	—	—	—	10	—	—	10
—	—	—	—	—	—	—	—	(435)	(435)
—	—	—	—	—	—	—	—	3 054	3 054
—	—	—	—	—	(462)	—	—	—	(462)
—	—	—	—	—	225	—	—	—	225
—	—	—	49	—	449	—	—	—	449
—	—	—	(400)	—	—	—	—	—	—
—	—	—	470	—	470	—	—	—	470
—	—	—	(21)	—	(21)	—	—	—	(21)
—	—	—	—	—	—	—	—	—	—
—	—	6	—	—	—	—	—	—	—
—	—	—	—	221	—	—	—	—	—
1 316	1 750	13	926	1 518	113 278	4 966	4 644	5 795	128 683

Summary consolidated statement of cash flows

for the reporting period ended 31 December

	Note	2020 Rm	Restated 2019[1] Rm
Cash generated from operating activities		**6 967**	13 709
Income taxes paid		**(2 954)**	(6 825)
Net cash generated from other operating activities		**9 921**	20 534
Net cash utilised in investing activities		**(718)**	(6 273)
Purchase of property and equipment		**(1 913)**	(4 168)
Purchase of intangible assets		**(2 976)**	(3 067)
Proceeds from sale of non-current assets held for sale		**3 742**	103
Net cash utilised in other investing activities		**429**	859
Net cash utilised in financing activities		**(8 259)**	(8 021)
Issue of additional Tier 1 capital		**1 209**	3 054
Proceeds from borrowed funds		**2 676**	1 580
Repayment of borrowed funds		**(3 733)**	(534)
Dividends paid		**(5 874)**	(10 332)
Net cash utilised in other financing activities		**(2 537)**	(1 789)
Net decrease in cash and cash equivalents		**(2 010)**	(585)
Cash and cash equivalents at the beginning of the reporting period	1	**18 288**	18 494
Effect of foreign exchange rate movements on cash and cash equivalents		**518**	379
Cash and cash equivalents at the end of the reporting period	2	**16 796**	18 288

Notes to the summary consolidated statement of cash flows

1. Cash and cash equivalents at the beginning of the reporting period

	2020 Rm	Restated 2019 Rm
Cash, cash balances and balances with central banks[2]	**14 033**	14 252
Loans and advances to banks[3]	**4 255**	4 242
	18 288	18 494

2. Cash and cash equivalents at the end of the reporting period

	2020 Rm	Restated 2019 Rm
Cash, cash balances and balances with central banks[2]	**14 403**	14 033
Loans and advances to banks[3]	**2 393**	4 255
	16 796	18 288

[1] For further details refer to note 1.21 in the notes to the consolidated financial statements.
[2] Includes coins and bank notes.
[3] Includes call advances, which are used as working capital by the Group.

Notes to the summary consolidated financial results

for the reporting period ended 31 December

1. Impact of Covid-19

As outlined in the profit and dividend announcement on page 10, the Covid-19 pandemic continues to affect global economic developments and has resulted in significant changes to government policies and actions, economic and financial market conditions as well as consumer behaviour. This in turn has had a material impact on the risks to which the Group is exposed to and the output of financial models, most specifically those used to determine credit risk exposures. The high degree of uncertainty resulting from this has forced the Group to reassess assumptions, and existing methods of estimation and judgements used in the preparation of these financial results. Furthermore, the temporary payment relief provided to eligible customers as part of the Group's response created added complexity and there is a risk that actual loss experienced may differ from those suggested by the judgements and assumptions used.

The Group's response to the Covid-19 pandemic included payment relief to customers, fee waivers, insurance premium relief and the expansion of credit life cover. The most substantial impact on the Group relates to credit risk. IFRS 9 requires expected credit loss (ECL) allowances to be recognised based on a stage allocation methodology:

- Stage 1 ECL allowance reflects the total losses associated with defaults that are expected to occur within 12 months of the reporting date. Exposures must be moved to stage 2 when a significant increase in credit risk has been observed.
- Stage 2 and stage 3 exposures carry an ECL allowance that is based on the losses expected to occur over the lifetime of the exposure.

The ECL allowance estimation must include an unbiased and probability-weighted estimate of future losses determined by evaluating a range of possible macroeconomic outcomes. IFRS 9 models use the following three parameters in ECL allowance calculations: probability of default (PD), loss given defaults (LGD) and exposure at default (EAD). Significant judgement and estimates are applied when quantifying the ECL allowance on loans and advances, and even more so now as credit models are not calibrated for events such as the Covid-19 crisis. Given the deteriorating macroeconomic environment, specific increases in PDs and LGDs were made in seeking to appropriately capture the Covid-19 environment.

As multiple outbreaks continue to progress and evolve, it is challenging to predict the full extent and duration of their business and economic impact. Management adjustments were therefore required, in addition to the model outputs, to provide a more appropriate assessment of risk for the financial year ended 31 December 2020. These additional management adjustments have required greater governance across the Group and were robustly challenged and reviewed by the Group Credit Impairment Committee. A revised approach to the estimation of PDs, identification of significant increase in credit risk (stage 2 impairment), forward looking scenarios and the impact on estimated ECL allowances was employed.

This section provides information on the approach taken in estimating ECL allowance. Readers are referred to the Risk management section of the Booklet for all other risk disclosures.

Notes to the summary consolidated financial results

for the reporting period ended 31 December

1. Impact of Covid-19 (continued)

Payment relief measures

The table below provides information on the relief provided to customers which impacted the estimation of ECLs:

Covid-19 customer payment relief

The Group implemented a payment relief programme across segments from March 2020 for eligible customers, allowing customers requiring short-term financial relief, to reduce or defer their monthly instalments to assist with cash flow needs. In anticipation of credit-risk induced pressure on banks' capital, temporary dispensation has been provided by the Prudential Authority at the South African Reserve Bank in relation to relief initiatives where those measures are regarded as short-term liquidity solutions. This dispensation provides that these restructures are not classified as distressed restructures for regulatory purposes, provided that the customers remain up to date once their relief period ends. Once payment relief ends, the Group's existing credit policies continue to apply.

RBB SA: Given that most customers' credit profiles remained healthy, payment relief was offered to customers in good standing. Retail customers were able to opt in to receive payment relief with revised repayment terms on the full suite of retail lending products. In the second half of the year, additional, more tailored, payment relief was provided to customers through the launch of the "Siyasizana" programme, with a key requirement being that customers must make partial payments on any further deferrals. Interest and fees continued to accrue monthly and were capitalised to the customer's loan account. As at 31 December, the vast majority of Absa's payment relief programme had been concluded and customers were required to recommence payment.

Business customers benefitted from payment relief measures that ranged from proactive payment relief offers to bespoke customer centric solutions.

CIB (South Africa and ARO): Customers received tailored solutions specific to their individual circumstances, including interest and/or capital moratoriums, covenant concessions and extensions of maturity dates on expiring facilities.

ARO Retail and Business Banking: Payment relief programmes were instituted in all the ARO banking entities, providing relief for periods of, in general up to six months, as informed by local regulatory and management actions. A minimal amount of payment relief was extended for a further 3 months for customers in good standing and sectors where there was protracted impact. Most of the payment relief had concluded by 31 December 2020.

The Group's existing credit policies continued to apply to customers not meeting the payment relief eligibility criteria or those who no longer benefit from the payment relief.

The table below provides the gross carrying value of loans and advances to customers that were granted payment relief during the financial period, together with an analysis of payment behaviour after the relief period ended 31 December 2020:

	2020			
	Gross carrying amount of payment relief population as at 31 December 2020 Rm	Gross carrying amount at 31 December 2020 Rm	Percentage of portfolio %	Up to date %
RBB South Africa	151 658	551 663	27.49	91.57
Home Loans	84 492	255 130	33.12	94.46
Vehicle and Asset Finance	25 892	94 876	27.29	88.01
Everyday Banking	16 492	73 732	22.37	79.32
Card	9 832	45 874	21.43	83.49
Personal Loans	6 607	23 786	27.78	73.30
Transactions and Deposits	53	4 072	1.30	54.90
Relationship Banking	24 782	127 872	19.38	93.59
RBB Other	—	53	—	—
CIB South Africa	39 793	306 262[1]	12.99	97.41
Absa Regional Operations (ARO)	27 130	115 065	23.58	88.86
RBB	12 487	59 920	20.84	88.03
CIB	14 643	55 145	26.55	89.57
Head Office, Treasury and other operations in South Africa	—	612	—	—
Loans and advances to customers	218 581	973 602	22.45	92.30

[1] Includes carrying amount of financial assets at fair value through profit and loss.

Notes to the summary consolidated financial results

for the reporting period ended 31 December

1. Impact of Covid-19 (continued)

Payment relief measures (continued)

Government guaranteed loan scheme	In addition to the above, National Treasury, the South African Reserve Bank (SARB) and commercial banks created a R100bn guaranteed loan scheme to assist businesses. The scheme specifies client eligibility requirements, restrictions on the use of loan proceeds and standardized loan terms. Loans have a repayment holiday of up to 12 months and thereafter interest and capital are required to be paid over 60 months. The SARB provides Absa with a special-purpose funding facility and partial credit guarantee. A portion of the interest levied on client loans is paid to the SARB. This interest accumulates in reserve accounts and will be used to offset losses on client loans. Once the reserve accounts are exhausted, Absa will incur losses of up to 6% of the total notional lent under the scheme. The SARB guarantees all losses in excess of the 6% threshold. When the scheme ends, the SARB will be entitled to withdraw the balances, if any, then remaining in the reserve accounts. As at 31 December 2020, Absa approved **R2 331m** of loans under the scheme.

Macroeconomic scenarios

As indicated above, ECL estimation must reflect an unbiased and probability-weighted estimate of future losses determined by evaluating a range of possible macroeconomic outcomes. While economic activity across South Africa and various ARO presence countries has started to recover due to the easing of lockdown restrictions, economic concerns remain due to higher levels of unemployment and the risk of a possible resurgence of the virus. Such risks have been incorporated in the scenarios used to calculate the Group's ECL charge at 31 December 2020.

The Group considers several factors in the development of its macroeconomic scenarios including economic growth/contraction and expected recovery, expected inflation, sector specific impacts, business confidence, property prices, household spending, exchange rate fluctuations, unemployment rates, key fiscal responses initiated by governments and regulatory actions.

A 40% probability weighting was applied to the baseline scenario; with a 30% probability weighting applied to both the upside and downside scenarios.

In the normal course of events the macroeconomic scenarios used to calculate the Group's ECL charge are refreshed semi-annually by Group Economics. Primary forecasts are updated more regularly. Unexpected large changes in primary forecasts may warrant a revision of the macroeconomic scenarios. Although the Group revised its 2020 real GDP forecast for South Africa to -7.1% (2021: 3.1%) in January 2021, an improvement over the -9.4% (2021: 3.2%) forecast used for December 2020; the December 2020 macroeconomic scenarios were not revised for the purposes of the financial statements due to the high level of uncertainty in the outlook.

The following table shows the key forecast assumptions for the three economic scenarios for South Africa as at 31 December 2020:

	Baseline					Mild upside					Mild downside				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
Real GDP (%)	(9.4)	3.2	1.9	1.5	1.5	(8.0)	3.2	2.6	2.6	2.5	(10.8)	3.0	1.2	1.2	1.1
CPI (%)	3.2	3.9	4.2	4.3	4.5	3.3	4.1	4.4	4.6	4.8	3.2	3.6	3.9	4.0	4.2
Average repo rate (%)	4.3	3.3	3.9	4.6	4.8	4.3	2.9	3.3	4.0	4.3	4.3	3.9	5.0	5.5	5.8

The following table shows the key forecast assumptions for the three economic scenarios for South Africa as at 31 December 2019:

	Baseline					Mild upside					Mild downside				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
Real GDP (%)	1.5	1.7	1.8	1.6	1.6	2.9	2.6	1.8	1.4	1.5	(1.4)	1.2	2.4	2.2	1.7
CPI (%)	5.2	5.0	5.0	4.9	5.0	3.5	3.1	3.4	4.0	4.7	8.2	6.6	5.9	5.6	5.4
Average repo rate (%)	6.5	6.5	6.5	6.5	6.5	4.6	5.0	4.9	5.4	5.8	9.0	8.0	8.2	7.6	7.2

The following table shows the key forecast assumptions for the three economic scenarios for four of our largest ARO markets at 31 December 2020:

	Baseline					Mild upside					Mild downside				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
Botswana															
Real GDP (%)	(10.8)	7.3	5.5	4.3	4.2	(7.9)	5.9	4.8	4.7	4.6	(13.0)	7.3	3.6	2.6	2.5
CPI (%)	1.8	3.3	4.1	2.8	2.6	1.5	2.4	3.4	2.6	2.6	2.1	4.7	4.5	4.5	4.4
Average policy rate (%)	4.4	4.2	4.8	4.8	4.8	4.9	3.9	4.4	4.5	4.5	4.4	4.7	5.1	5.1	5.0
Ghana															
Real GDP (%)	1.5	4.1	4.9	5.3	5.2	2.6	5.0	5.5	5.8	5.6	(0.4)	3.6	4.8	3.9	4.0
CPI (%)	10.5	9.8	8.3	8.2	8.0	10.1	8.6	8.0	8.2	8.3	11.1	13.6	9.6	9.7	9.8
Average policy rate (%)	14.7	15.4	15.5	15.5	15.5	14.9	14.6	14.8	14.5	14.5	14.9	16.3	17.8	17.3	16.8
Kenya															
Real GDP (%)	1.6	3.9	5.0	5.4	5.5	2.7	5.1	5.9	6.0	6.1	(0.4)	3.5	3.3	2.8	2.7
CPI (%)	5.2	5.1	5.3	4.5	4.3	4.9	3.0	4.1	2.9	2.8	5.4	7.3	6.1	5.2	5.1
Average policy rate (%)	7.3	7.0	7.3	7.5	7.5	7.2	6.5	6.8	7.0	7.0	7.3	7.8	8.8	8.3	8.0
Mauritius															
Real GDP (%)	(9.6)	7.3	5.6	4.2	4.0	(5.6)	5.5	5.3	5.3	5.2	(11.6)	6.7	3.7	3.2	3.2
CPI (%)	2.1	2.2	2.4	3.4	3.6	2.0	0.8	1.7	2.8	2.9	2.8	4.6	4.4	4.1	4.1
Average policy rate (%)	2.3	2.2	2.9	3.1	3.3	2.3	1.8	2.2	2.4	2.8	2.3	3.3	4.9	5.3	5.1

1. Impact of Covid-19 (continued)

Macroeconomic scenarios (continued)

The following table shows the key forecast assumptions for the three economic scenarios for four of our largest ARO markets as at 31 December 2019:

	Baseline					Mild upside					Mild downside				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
Botswana															
Real GDP (%)	4.2	3.7	4.2	4.3	4.3	7.9	8.7	4.8	4.3	4.3	(5.4)	0.4	5.1	5.8	4.9
CPI (%)	3.0	3.6	4.1	4.1	4.0	1.0	2.8	4.3	4.1	4.0	4.2	5.1	4.0	4.0	4.0
Average policy rate (%)	4.8	4.8	5.6	5.8	6.2	3.6	4.2	5.6	5.8	6.2	6.7	6.6	5.6	5.8	6.2
Ghana															
Real GDP (%)	7.1	6.6	6.5	6.5	6.5	9.7	9.7	9.2	8.6	8.0	0.8	3.5	5.8	5.3	5.1
CPI (%)	10.3	10.4	10.8	10.9	10.7	8.4	7.1	9.1	10.3	10.7	11.8	13.5	9.6	9.5	9.9
Average policy rate (%)	15.9	16.2	16.4	16.6	16.7	15.3	14.5	14.9	15.7	16.6	17.6	20.8	20.3	18.6	17.1
Kenya															
Real GDP (%)	5.5	6.2	6.3	6.4	6.5	6.2	7.1	7.1	7.3	6.6	3.9	4.1	4.0	5.4	6.7
CPI (%)	5.2	5.7	5.0	4.9	4.9	4.8	4.3	4.2	5.0	5.1	6.0	7.5	5.6	4.8	4.8
Average policy rate (%)	8.7	8.9	9.0	9.2	9.3	7.5	7.3	8.0	9.1	9.3	11.2	11.4	9.8	9.2	9.3
Mauritius															
Real GDP (%)	4.2	3.9	4.0	4.0	4.0	6.0	6.0	4.4	4.4	4.2	3.5	3.0	3.8	3.8	3.8
CPI (%)	2.3	3.9	2.8	2.8	2.8	2.0	3.0	2.7	2.8	2.8	2.7	4.7	2.9	2.8	2.8
Average policy rate (%)	3.5	4.1	4.1	4.1	4.1	3.0	3.0	3.3	3.6	3.9	3.6	4.3	4.3	4.2	4.2

Base scenario as at 31 December 2020

South Africa

2020 witnessed the most difficult economic environment since the early 1930s, both in South Africa and globally. South Africa's economy shrunk by more than a sixth in Q2 as hard lockdown was imposed. An easing of pandemic-related restrictions has allowed some recovery to begin, but overall economic performance remains volatile. Extreme variations in performance between different sectors of the economy depending upon their proximity to the social distancing regulations is a particular feature of this environment, in sharp contrast to the normal business cycle, and as the evolution of the Covid-19 pandemic remains uncertain, the impact on public health, on the economy and on financial markets will each have an unusually high degree of uncertainty. Better understanding of Covid-19 transmission risks, and of the economic impact of various restrictions, and the speed at which vaccines can be rolled out and their efficacy, is expected to allow a better balance between public health and broader economic imperatives even as further outbreaks of the pandemic remain likely.

The rollout of mass vaccination during 2021 is a key assumption of our baseline view that the economy will begin a sustained recovery in 2021. Our expectation is that the economy will recover to 2019 levels of activity only in 2023. The emergence of more virulent strains of the virus raises the potential of an even longer period of heightened uncertainty and strain. Eskom electricity supply poses another downside risk to the forecast. For the economy to grow sustainably faster the government will need to make progress with the implementation of structural reforms. Job losses are likely to be large, while pay restraint and reduced working hours will also weigh on disposable income. Household leverage, as measured by debt to disposable income, rose significantly in 2020 (as income plummets) and is expected to be remain above pre-pandemic levels throughout the forecast horizon. Both investment and discretionary spending are expected to remain constrained.

During 2020 short-term interest rates fell to levels last seen in the 1960s. Recent splits in votes of Monetary Policy Committee (MPC) members indicate that the risks are finely balanced. Our base case is for the next move to be up, but only gradually and only from 2022. The housing market surprised with its resilience during 2020, but current House Price Index (HPI) buoyancy is hard to reconcile over the longer term with the likely big hit to household finances.

ARO

The economic impact of the global pandemic has varied widely across ARO. At a general level, the economies of East Africa have generally been impacted less, as social distancing measures were generally more modest, and as their more diversified economies benefitted from sharp moves in commodity prices. Those economies with less diversification, and particularly those where tourism and/or commodity exports are a focus, have been very hard hit. Our latest projections for 2020 point to a 0.1% contraction in real GDP for ARO. Only three countries within ARO appear certain to have escaped a full-year recession in 2020, namely Kenya, Tanzania and Ghana. We expect growth to rebound 4.6% in 2021, though downside risks remain elevated as a result of the second wave of the pandemic that resulted in a further tightening of containment measures domestically and in key international markets.

Very large fiscal deficits and weak fiscal buffers raises the risk of unsustainable public debt trajectories for some countries in ARO. Zambia and Seychelles are in the process of restructuring their external debt, whilst a number of ARO economies have already received assistance from multilaterals for Balance of Payments and budget support and a number of ARO countries are in talks with the IMF for formal programmes.

Central banks were able to reduce policy rates during 2020 in response to the pandemic, but rates are assumed to have bottomed. As inflation gradually moves higher and country risk premia are generally expected to rise, we expect monetary policy tightening for the bulk of markets by late 2021 and possibly into 2022.

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for the reporting period ended 31 December

1. Impact of Covid-19 (continued)

Macroeconomic scenarios (continued)

Upside scenario as at 31 December 2020

South Africa

For 2020, the upside scenario is based on an economy that is somewhat more resilient to the pandemic-related constraints in 2020, where subsequent waves of infection are met with more targeted social distancing measures in 2021, and where vaccine rollout is more comprehensive in 2021. National Treasury is able to announce a credible path of fiscal consolidation, whilst government makes demonstrated progress on some structural reforms. Together, these help to improve market confidence, easing long-end funding costs somewhat, and firming business and consumer confidence help generate a more robust improvement in investment, thereby boosting medium-term growth. Improving risk premia allow the SARB to reduce the policy rate somewhat further and leave the policy rate lower for longer than in the baseline scenario. GDP recovers its 2019 levels by late 2023.

ARO

Phased reopening is somewhat faster than under the baseline scenario and the resumption of economic activity therefore quicker. Countries with larger Covid-19 related slowdown will tend to show bigger improvements than baseline when compared with those countries for which the Covid-19 impact was relatively small. Fiscal consolidation is credible, helping to reduce borrowing costs and reducing the threat of fiscal crisis in those economies where public finance is most stretched. Reduced risk premia could see short-term interest rates fall modestly as compared to the baseline forecast.

Downside scenario as at 31 December 2020

South Africa

Significant outbreaks of Covid-19 persist through 2021 with a slower than baseline rollout of vaccines, leaving consumers and businesses tentative, and requiring frequent, albeit targeted, tightening of pandemic restrictions. Load shedding remains a large and persistent constraint on production throughout 2021 and into 2022. Hamstrung by a lack of political consensus within the ruling party, credible fiscal consolidation remains elusive, causing debt dynamics to worsen further and pushing long-term yields even higher, whilst little progress on structural reforms contributes to trend growth for the economy that is even lower than in baseline. Short-term interest rates are expected to rise from 2021 on the sharply higher risk premia that this scenario would generate.

ARO

The Covid-19 crisis persists longer than expected and the impact of containment measures is more intense. Cross border tourism returns more slowly than in the baseline, and commodity exports remain under downward pressure for longer. Despite the weaker economic outlook there is no room for further fiscal or monetary policy support. Rather the larger fiscal deficits that result from revenue shortfalls inducing heightened fears of debt sustainability in a number of ARO countries, increasing risk premia and pushing central banks into raising short-term interest rates earlier and faster than in the baseline scenario.

Estimation of probability of default, loss given default and significant increase in credit risk

As the Group's ECL modelling methodology does not automatically consider the atypical complexity of the current economic environment, management applied these macroeconomic scenarios in conjunction with the following considerations, to determine the appropriate management adjustment when recognising ECL losses for the reporting period:

Probability of default (PDs) and loss given defaults (LGDs)	PD's and LGD's were adjusted for current and forward-looking information, either on an individual client or portfolio basis. The management adjustment was further updated by applying a scaling factor, where applicable, to the modelled PD's and LGD's. The scaling factor was in turn tested against various qualitative factors including impacted industry exposures. Appropriate sense checks were performed on the quantitative outcomes. These PD and LGD scaling factors are continuously being reassessed as the impacts of Covid-19 pandemic become known and the level of customer distress becomes evident within the models.
Significant increase in credit risk (SICR) events	Exposures are required to be classified within Stage 2 when a significant increase in credit risk is observed, although the exposure is not yet credit impaired. The assessment of whether an exposure should be transferred from Stage 1 to Stage 2, is a relative measure, where the credit risk at the reporting date is compared to the risk that existed at initial recognition. A request for payment relief was not considered the sole indicator that a SICR event had occurred. All available information was considered, including whether a client is experiencing a short-term liquidity constraint, the respective industry and the anticipated arears in a Covid-19 environment when determining whether a SICR event occurred. This methodology was tested against international guidelines and those issued by the Prudential Authority at the South African Reserve Bank to ensure that the Group's approach was appropriate. Once an exposure has exited payment relief, all facts and circumstances are considered to determine the appropriate impairment stage.

1. Impact of Covid-19 (continued)

Impairment losses pre- and post-management adjustments

The table below provides a breakdown of the total ECL recognised at 31 December 2020 to reflect the impairment charge calculated using the Group's approved models together with the macroeconomic variable management adjustment:

	December 2020		June (unaudited) 2020		December 2019
	Macroeconomic variables management adjustment Rm	Total impairment losses including management adjustments Rm	Macroeconomic variables management adjustment Rm	Total impairment losses including management adjustments Rm	Total impairment losses including management adjustments Rm
RBB South Africa	3 524	14 621	3 565	10 333	6 253
Home Loans	950	2 189	950	1 750	182
Vehicle and Asset Finance	926	3 062	926	2 129	1 099
Everyday Banking	1 177	7 337	1 221	5 107	4 653
Card	628	3 883	673	2 897	2 536
Personal Loans	466	2 893	466	1 867	1 610
Transactions and Deposits	83	561	82	343	507
Relationship Banking	471	2 032	468	1 348	322
RBB Other	—	1	—	(1)	(3)
CIB South Africa	776	1 951	776	1 657	367
ARO	1 057	3 995	1 176	2 672	1 213
RBB	570	2 507	634	1 455	1 120
CIB	441	1 340	483	1 140	173
Head Office, Treasury and other operations	46	148	59	77	(80)
Head Office, Treasury and other operations in South Africa	—	2	—	(1)	(17)
Total	5 357	20 569	5 517	14 661	7 816

Sensitivity of expected credit losses

Given the level of uncertainty required in the determination of ECL, the Group has conducted a sensitivity analysis in order to indicate the impact on the ECL when assigning a probability weighting of 100% to each macroeconomic variable scenario. The analysis only reflects the impact of changing the probability assigned to each scenario to a 100% and does not include management adjustments required to provide a more appropriate assessment of risk.

	ABSA Group Rm	% change
ECL allowance on stage 1 and stage 2 loans and advances to bank and customers.	15 451	—
Baseline	15 268	(1)
Upside	14 050	(9)
Downside	17 085	11

In addition, the impact on expected credit losses were analysed should 5% of the gross carrying of the Groups' loans and advances to customers in stage 1 experience a SICR and move to stage 2 as at 31 December 2020. The ECL changes below include the effect on undrawn committed facilities and guarantees which are reflected as 'provisions' in the statement of financial position. This impact has been presented below:

	Stage 2	
	Increase in gross carrying amount Rm	Increase in expected credit loss Rm
RBB SA	21 939	2 147
CIB SA	9 775	24
ARO	4 686	492

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for the reporting period ended 31 December

1. Impact of Covid-19 (continued)

Single name impairment

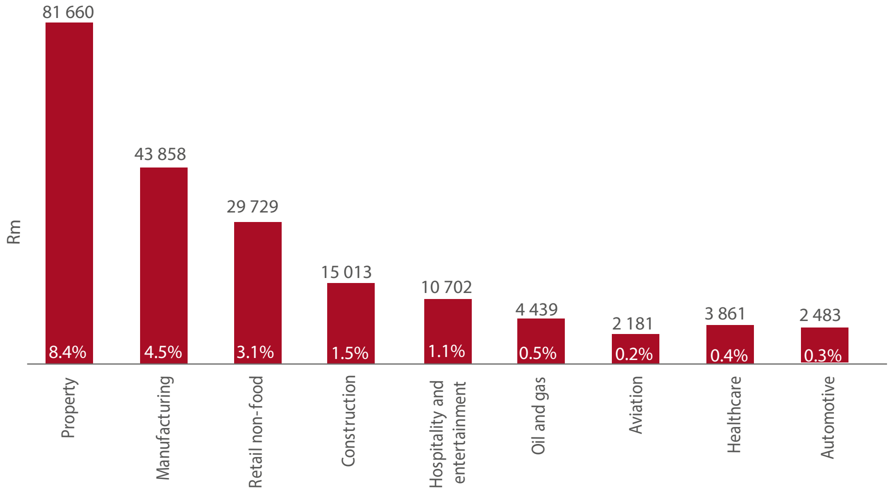
The impairment losses have been adversely impacted by increased level of risk for single name wholesale exposures that has specifically been affected by Covid-19. The Group continuously monitored these exposures through the Group Distressed Assets Committee to ensure any potential risk was appropriately identified, mitigated, and/or adequately provided for. As at 31 December 2020 the following impairment losses were raised for single name exposures:

	December 2020 Rm	June (unaudited) 2020 Rm
SA Relationship Banking	287	246
CIB SA	1 040	662
CIB ARO	1 077	781
ARO Business Banking	330	130
Total	**2 734**	1 819

Wholesale lending in key Covid-19 impacted industries

In addition to the disclosure provided above, the graph below provides a view of the Group's wholesale exposure (across CIB SA and ARO, Relationship Banking and ARO Business Banking), in R'millions and as a percentage of total gross loans and advances, to industries that have been significantly impacted by the Covid-19 pandemic:

Concentration risk exposures (% of total loans)



Notes to the summary consolidated financial results

for the reporting period ended 31 December

1. Impact of Covid-19 (continued)

Other estimates and judgements

Other estimates and judgements utilised in preparing the Group's financial results have been impacted by the advent of the pandemic. The table below provides detail of key estimates and judgements.

Impairment of internally generated intangible assets, property plant and equipment and goodwill	The far-reaching effects of the pandemic indicate that the Group's internally generated intangible assets, property and equipment, and goodwill may potentially be impaired, and the Group therefore carried out impairment tests on these assets. The recoverable amount of each asset is the higher of the asset's fair value less costs to sell and its value in use or the value in use of the cash generating unit to which it belongs. The Group uses approved projected cash flow forecasts for the period up until the end of 2023, with a terminal value thereafter. The long-term growth rate assumptions used in the impairment calculations were revised from 0.0% – 10.0% as at 31 December 2019 to **0.0% – 8.1%** at 31 December 2020. The discount rates used have been adjusted from 12.9% – 22.5% as at 31 December 2019 to **10.7% – 30%** at 31 December 2020. A sensitivity analysis was performed on the assumptions and even if the estimated discount rate and/or growth rate was changed by 100 and 200 basis points respectively, no additional impairment loss would be recognised. At 31 December 2020, the Group recognised impairment losses on internally generated intangible assets, property and equipment and goodwill of **R420m** (2019: R330m).
Post-retirement benefits	While the Absa Pension Fund meets the definition of a defined benefit pension plan, the majority of the Group's employees are part of the defined contribution portion of the fund, and as a result the Group's actuarial risk exposure is limited. In ARO subsidiaries, there are certain legacy defined benefit pension plans, however, the majority of employees in these countries belong to defined contribution pension plans. Defined benefit pension plan valuations are determined using actuarial assumptions and due to the long-term nature of these plans, such estimates are subject to significant uncertainty. These include: inflation **5.2%** (2019: 5.2%) and future salary increases **6.2%** (2019: 6.2%). The most significant defined benefit pension plan in ARO is that of Mauritius. The key assumptions for the Mauritius defined benefit pension plan is a discount rate of **3.2%** (2019: 5.6%) inflation of **0.5%** (2019: 2.4%) and salary increases of **0.5%** (2019: 2.4%). Furthermore, IAS 19 limits the recognition of any pension fund surpluses depending on the fund's statutory rules. Although the statutory valuation of the Absa Pension Fund continues to indicate that the value of pension fund assets exceeds the actuarially determined liability, the valuation indicated negative returns attributable to the employer. The above resulted in adjustments to the amounts recognised at 31 December 2020. The negative returns attributable to the employer for the Absa Pension Fund resulted in a decrease in other comprehensive income (after tax) of **R104m** (2019: R24m decrease). Adjustments in the assumptions applied to ARO subsidiary funds, primarily the Mauritius Pension Fund, resulted in a decrease in other comprehensive income (after tax) of **R416m** (2019: R104m decrease).
Hedge accounting	Cash flow hedges are used by the Group to protect against the potential cash flow variability arising from the Group exposure to interest rate and foreign currency risk. The Group's structural interest rate hedge in South Africa represents its most significant cash flow hedge. An assessment of the Group's hedge accounting position and the applied risk management strategy showed no significant changes to the way the Group manages its risk. At 31 December 2020, the Group recognised a net increase (after tax) of **R3 997m** (2019: R913m) in other comprehensive income relating to its cash flow hedging activities following a reduction in the benchmark interest rates. The net increase is after a release of **R3 488m** (2019: R806m) into the statement of comprehensive income. Furthermore, there has been minimal impact of Covid-19 effects on hedge ineffectiveness recognised during the period ended 31 December 2020.
Valuation of insurance liabilities	The Group provides **short-term and long-term** insurance in South Africa and in Absa Regional Operations. The Group has assessed the carrying value of these insurance liabilities as at 31 December 2020. The value of the life insurance liability is determined using assumptions regarding future mortality, morbidity, discontinuance rates, policyholders' reasonable benefit expectations, and guaranteed benefits and expenses. This reserve was increased in response to the pandemic as a result of an adjustment in mortality assumptions, higher lapse rate expectations and an increase in the retrenchment incidence rate. Adjustments to mortality assumptions were derived based on excess death data reported during 2020, with additional allowance for the emerging increased severity of the second wave compared to the first wave, whilst lapse rate and retrenchment incidence rate expectations were increased due to the expected persistence of the weakened economic environment. There is still considerable uncertainty around the impact of the pandemic and adjustments to assumptions will continue to be reviewed as experience emerges. Establishing **short-term insurance liabilities** is an inherently uncertain process and, therefore, the eventual cost of settlement of outstanding claims and unexpired risks can vary substantially from the initial estimates. Estimates and judgements are regularly adjusted as changes in facts and experience are identified. No material changes in these estimates and assumptions have been noted at 31 December 2020 when compared to 31 December 2019.

2. Non-current assets and non-current liabilities held for sale

The following movements in non-current assets and non-current liabilities held for sale occurred during the current reporting period:

- RBB South Africa disposed of the Edcon loan book with a carrying amount of **R3 829m**.
- ARO disposed of property and equipment with a carrying amount of **R2m**.
- Head Office, Treasury and other operations in South Africa transferred property and equipment with a carrying amount of **R132m** to non-current assets held for sale and a **R17m** impairment was recognised on remaining assets previously classified as held for sale.
- First Assurance Tanzania was disposed of in the current year (refer note 9). The movements in Head Office, Treasury and other operations in South Africa that relate to the disposal are: loans and advances to banks (**decrease of R30m**), other assets (**decrease of R26m**), investment securities (**decrease of R9m**), reinsurance assets (**decrease of R61m**), property and equipment (**decrease of R2m**), deferred tax assets (**decrease of R13m**), policyholder liabilities under insurance contracts (**decrease of R85m**) and other liabilities (**decrease of R33m**). A **R16m** impairment was recognised arising from the disposal of First Assurance for **Rnil** consideration.
- Foreign exchange movements resulted in a **R9m** and **R6m** increase in assets and liabilities, respectively.

The following movements in non-current assets and non-current liabilities held for sale were effected during the previous reporting period:

- RBB South Africa disposed of investment property with a carrying amount of R32m.
- RBB South Africa transferred the Edcon loan book with a carrying amount of R3 829m to non-current assets held for sale.
- ARO disposed of property and equipment with a carrying amount of R2m.
- Head Office, Treasury and other operations in South Africa disposed of property and equipment with a carrying amount of R50m.
- Head Office, Treasury and other operations in South Africa transferred property and equipment with a carrying amount of R21m to non-current assets held for sale.
- The following movements occurred on the underlying assets and liabilities of a non-core subsidiary held for sale in Head Office, Treasury and other operations in South Africa: loans and advances to banks (increase of R5m), deferred tax assets (increase of R1m), investment securities (increase of R1m), reinsurance assets (decrease of R15m), property and equipment (decrease of R1m), other assets (decrease of R4m), other liabilities (increase of R1m) and policyholder liabilities under insurance contracts (decrease of R13m).

Notes to the summary consolidated financial results

for the reporting period ended 31 December

3. Loans and advances

3.1 ECL analysis by market segment and class of credit exposure

	Carrying amount of financial assets at fair value through profit or loss Rm	Stage 1 Gross carrying amount Rm	Stage 1 ECL allowance Rm	Stage 1 ECL coverage %
RBB South Africa	—	438 772	4 562	1.04
Home Loans	—	210 738	666	0.32
Vehicle and Asset Finance	—	76 556	935	1.22
Everyday Banking	—	48 845	2 161	4.42
Card	—	31 726	1 389	4.38
Personal Loans	—	14 895	642	4.31
Transactions and Deposits	—	2 224	130	5.85
Relationship Banking	—	102 633	800	0.78
RBB Other	—	—	—	—
CIB South Africa	63 901	195 506	1 318	0.67
ARO	—	93 715	1 368	1.46
RBB	—	50 429	976	1.94
CIB	—	43 286	392	0.91
Head Office, Treasury and other operations in South Africa	—	390	(137)	—
Loans and advances to customers	—	390	5	1.28
Reclassification to provisions[1]	—	—	(142)	—
Loans and advances to customers	63 901	728 383	7 111	0.98
Loans and advances to banks	31 830	50 454	59	0.12
Total loans and advances to customers and banks	95 731	778 837	7 170	0.92

[1] This represents the ECL allowance on undrawn facilities which has resulted in the ECL allowance on loans and advances exceeding the carrying amount of the drawn exposure. To the extent that such occurs, a 'provision' is recognised on the Group's statement of financial position.

2020

Stage 2			Stage 3			
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
59 607	6 452	10.82	53 284	23 396	43.91	517 253
20 581	552	2.68	23 812	6 233	26.18	247 680
10 605	1 237	11.66	7 716	3 575	46.33	89 130
10 635	3 435	32.30	14 251	10 114	70.97	58 021
6 174	2 302	37.29	7 975	5 780	72.48	36 404
3 300	797	24.15	5 590	3 936	70.41	18 410
1 161	336	28.94	686	398	58.02	3 207
17 786	1 228	6.90	7 452	3 422	45.92	122 421
—	—	—	53	52	98.11	1
40 827	377	0.92	6 028	1 165	19.33	303 402
14 175	1 696	11.96	7 175	3 752	52.29	108 249
5 537	1 199	21.65	3 954	2 424	61.31	55 321
8 638	497	5.75	3 221	1 328	41.23	52 928
222	(248)	—	—	(68)	—	1 065
222	—	—	—	—	—	607
—	(248)	—	—	(68)	—	458
114 831	8 277	7.21	66 487	28 245	42.48	929 969
2 317	4	0.17	—	—	—	84 538
117 148	8 281	7.07	66 487	28 245	42.48	1 014 507

Notes to the summary consolidated financial results

for the reporting period ended 31 December

3. Loans and advances (continued)

3.1 ECL analysis by market segment and class of credit exposure (continued)

	Carrying amount of financial assets at fair value through profit or loss Rm	Stage 1 Gross carrying amount Rm	Stage 1 ECL allowance Rm	Stage 1 ECL coverage %
RBB South Africa	—	451 601	3 202	0.71
Home Loans	—	209 949	293	0.14
Vehicle and Asset Finance	—	73 684	608	0.83
Everyday Banking	—	53 486	1 436	2.68
Card	—	32 979	875	2.65
Personal Loans	—	18 046	467	2.59
Transactions and Deposits	—	2 461	94	3.82
Relationship Banking	—	114 482	865	0.76
RBB Other	—	—	—	—
CIB South Africa	67 656	201 299	503	0.25
ARO[1]	—	102 215	812	0.79
RBB	—	48 376	484	1.00
CIB	—	53 839	328	0.61
Head Office, Treasury and other operations in South Africa	—	287	(229)	—
Loans and advances to customers	—	287	12	4.18
Reclassification to provisions[2]	—	—	(241)	—
Loans and advances to customers	67 656	755 402	4 288	0.57
Loans and advances to banks	29 453	29 736	21	0.07
Total loans and advances to customers and banks	97 109	785 138	4 309	0.55

[1] The ARO segment has been expanded to provide more comprehensive disclosures in relation to ARO RBB and ARO CIB.

[2] This represents the ECL allowance on undrawn facilities which has resulted in the ECL allowance on loans and advances exceeding the carrying amount of the drawn exposure. To the extent that such occurs, a 'provision' is recognised on the Group's statement of financial position.

2019						
Stage 2			Stage 3			
Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Gross carrying amount Rm	ECL allowance Rm	ECL coverage %	Net carrying amount Rm
39 097	3 937	10.07	39 583	16 664	42.10	506 478
13 923	235	1.69	18 956	4 909	25.90	237 391
7 996	622	7.78	5 253	1 963	37.37	83 740
9 077	2 555	28.15	10 034	7 220	71.96	61 386
5 083	1 745	34.33	6 384	4 772	74.75	37 054
2 788	489	17.54	3 107	2 128	68.49	20 857
1 206	321	26.62	543	320	58.93	3 475
8 101	525	6.48	5 287	2 520	47.66	123 960
—	—	—	53	52	98.11	1
28 905	316	1.09	1 803	615	34.11	298 229
8 654	951	10.99	5 607	3 248	57.93	111 465
3 760	773	20.56	3 250	2 103	64.71	52 026
4 894	178	3.64	2 357	1 145	48.58	59 439
9	(269)	—	—	(12)	—	806
9	—	—	—	—	—	284
—	(269)	—	—	(12)	—	522
76 665	4 935	6.44	46 993	20 515	43.66	916 978
580	3	0.52	—	—	—	59 745
77 245	4 938	6.39	46 993	20 515	43.66	976 723

3. Loans and advances (continued)

3.2 Reconciliation of ECL allowance

The following table sets out the breakdown of the ECL for loans and advances to customers and undrawn facilities:

	2020				
	RBB South Africa Rm	CIB South Africa Rm	ARO Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Loans and advances to customers	34 410	2 860	6 816	(453)	43 633
Stage 1	4 562	1 318	1 368	(137)	7 111
Stage 2	6 452	377	1 696	(248)	8 277
Stage 3	23 396	1 165	3 752	(68)	28 245
Undrawn facilities	—	—	136	458	594
Stage 1	—	—	93	142	235
Stage 2	—	—	32	248	280
Stage 3	—	—	11	68	79
Total ECL allowance on loans and advances to customers and undrawn facilities	34 410	2 860	6 952	5	44 227

	2019				
	RBB South Africa Rm	CIB South Africa Rm	ARO Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Loans and advances to customers	23 803	1 434	5 010	(510)	29 737
Stage 1	3 202	503	812	(229)	4 288
Stage 2	3 937	316	950	(269)	4 934
Stage 3	16 664	615	3 248	(12)	20 515
Undrawn facilities	—	—	122	522	644
Stage 1	—	—	71	241	312
Stage 2	—	—	29	269	298
Stage 3	—	—	22	12	34
Total ECL allowance on loans and advances to customers and undrawn facilities	23 803	1 434	5 132	12	30 381

3. Loans and advances (continued)

3.2 Reconciliation of ECL allowance (continued)

The following table sets out a reconciliation of the opening and closing ECL for loans and advances to customers, by market segment:

	2020				
Loans and advances to customers at amortised cost and undrawn facilities	**RBB South Africa Rm**	**CIB South Africa Rm**	**ARO Rm**	**Head Office, Treasury and other operations in South Africa Rm**	**Total expected credit losses Rm**
Balances at the beginning of the reporting period	23 803	1 434	5 132	12	30 381
Stage 1	3 202	503	883	12	4 600
Stage 2	3 937	316	979	—	5 232
Stage 3	16 664	615	3 270	—	20 549
Transfers between stages	—	—	—	—	—
Stage 1 net transfers	530	(18)	173	—	685
Stage 2 net transfers	(1 540)	94	(465)	—	(1 911)
Stage 3 net transfers	1 010	(76)	292	—	1 226
Impairment losses raised and interest in suspense	16 367	1 971	4 461	(7)	22 792
Amounts written off	(5 760)	(545)	(1 110)	—	(7 415)
Foreign exchange movements	—	—	(1 531)	—	(1 531)
Balance at the end of the reporting period	34 410	2 860	6 952	5	44 227
Stage 1	4 562	1 318	1 461	5	7 346
Stage 2	6 452	377	1 728	—	8 557
Stage 3	23 396	1 165	3 763	—	28 324

	2019				
Loans and advances to customers at amortised cost and undrawn facilities	RBB South Africa Rm	CIB South Africa Rm	Absa Regional Operations Rm	Head Office, Treasury and other operations in South Africa Rm	Total expected credit losses Rm
Balances at the beginning of the reporting period	22 743	2 698	5 217	6	30 664
Stage 1	2 923	415	923	6	4 267
Stage 2	3 906	305	857	—	5 068
Stage 3	15 914	1 978	3 437	—	21 329
Transfers between stages	—	—	—	—	—
Stage 1 net transfers	817	14	105	—	936
Stage 2 net transfers	(1 156)	(23)	(289)	—	(1 468)
Stage 3 net transfers	339	9	184	—	532
Impairment losses raised and interest in suspense	8 085	538	1 604	6	10 233
Amounts written off	(6 188)	(1 802)	(1 433)	—	(9 423)
Foreign exchange movements	—	—	(256)	—	(256)
Transfer to non-current assets held for sale	(837)	—	—	—	(837)
Balance at the end of the reporting period	23 803	1 434	5 132	12	30 381
Stage 1	3 202	503	883	12	4 600
Stage 2	3 937	316	979	—	5 232
Stage 3	16 664	615	3 270	—	20 549

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4. Borrowed funds

During the reporting period the significant movements in borrowed funds were as follows: **R2 676m** (2019: R1 580m) of subordinated notes were issued and **R3 733m** (2019: R534m) were redeemed.

5. Disaggregation of non-interest income

The following table disaggregates non-interest income splitting it into income received from contracts with customers by major service lines and per reportable segment, and other items making up non-interest income:

	2020					
	RBB South Africa Rm	CIB South Africa Rm	ARO Rm	Head Office, Treasury and other operations in South Africa Rm	Barclays PLC separation effects Rm	Total Rm
Fee and commission income from contracts with customers	18 950	2 439	3 435	296	—	25 120
Consulting and administration fees	371	102	91	11	—	575
Transactional fees and commissions	14 686	1 665	2 958	(8)	—	19 301
Cheque accounts	4 945	134	33	—	—	5 112
Credit cards	2 135	—	205	—	—	2 340
Electronic banking	4 185	1 015	133	—	—	5 333
Other[(1)]	1 788	516	2 569	(8)	—	4 865
Savings accounts	1 633	—	18	—	—	1 651
Merchant income	2 094	—	115	—	—	2 209
Trust and other fiduciary services fees	187	33	5	1 166	—	1 391
Other fees and commissions	201	275	148	(134)	—	490
Insurance commissions received	1 394	—	110	(739)	—	765
Investment banking fees	17	364	8	—	—	389
Other income from contracts with customers	68	—	11	34	0	113
Other non-interest income, net of expenses	2 377	1 819	2 824	339	144	7 503
Total non-interest income	**21 395**	**4 258**	**6 270**	**669**	**144**	**32 736**

	2019					
	RBB South Africa Rm	CIB South Africa Rm	ARO Rm	Head Office, Treasury and other operations in South Africa Rm	Barclays PLC separation effects Rm	Total Rm
Fee and commission income from contracts with customers	20 408	2 341	3 549	461	—	26 759
Consulting and administration fees	348	92	97	11	—	548
Transactional fees and commissions	16 104	1 640	2 979	(28)	—	20 695
Cheque accounts	5 334	138	25	—	—	5 497
Credit cards	2 719	—	204	—	—	2 923
Electronic banking	4 377	1 020	113	—	—	5 510
Other[(1)]	1 680	482	2 618	(28)	—	4 752
Savings accounts	1 994	—	19	—	—	2 013
Merchant income	2 097	—	184	8	—	2 289
Trust and other fiduciary services fees	238	3	5	1 262	—	1 508
Other fees and commissions	204	257	178	(105)	—	534
Insurance commissions received	1 371	—	102	(688)	—	785
Investment banking fees	46	349	4	1	—	400
Other income from contracts with customers	88	—	24	7	(2)	117
Other non-interest income, net of expenses	2 886	1 421	2 467	3	(34)	6 743
Total non-interest income	23 382	3 762	6 040	471	(36)	33 619

(1) Includes fees on mortgage loans and foreign currency transactions.

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6. Other impairments

	2020 Rm	2019 Rm
Goodwill	2	—
Intangible assets[1]	195	122
Investments in associates and joint ventures[2]	11	—
Non-current assets held for sale[3]	33	—
Property and equipment[4]	223	208
	464	330

7. Headline earnings

	2020 Gross Rm	2020 Net[5] Rm	2019 Gross Rm	2019 Net[5] Rm
Headline earnings is determined as follows:				
Profit attributable to ordinary equity holders of the Group		5 880		14 256
Total headline earnings adjustments:		158		270
IAS 36 – Goodwill impairment	2	2	—	—
IFRS 3 – Gain on bargain purchase	(86)	(86)	—	—
IFRS 5 – Profit on disposal of non-current assets held for sale	(1)	1	(19)	(15)
IFRS 5 – Re-measurement of non-current assets held for sale	33	29	(9)	(6)
IAS 16 – Profit on disposal of property and equipment	(65)	(49)	(27)	(21)
IAS 21 – Recycled foreign currency translation reserve	(118)	(92)	118	81
IAS 28 – Impairment of investments in associates and joint ventures	11	11	—	—
IAS 36 – Impairment of property and equipment	223	162	208	153
IAS 36 – Impairment of intangible assets	195	176	122	88
IAS 40 – Change in fair value of investment properties	5	4	(12)	(9)
IAS 40 – Profit on disposal of investment property	—	—	(1)	(1)
Headline earnings/diluted headline earnings		**6 038**		14 526
Headline earnings per ordinary share (cents)		**730.9**		1 750.1
Diluted headline earnings per ordinary share (cents)		**730.5**		1 747.6

(1) The Group has impaired certain software assets totalling **R195m** (2019: R122m) for which the value in use is determined to be zero.

(2) As a result of the SARB decision to no longer allow for cheques as a form of payment in South Africa, the Board of Directors of Integrated Processing Solutions Proprietary Limited have approved the dissolution of IPS. As a result, an impairment of the investment in the joint venture of **R11m** (2019: Rnil) has been recognised.

(3) The Group has impaired certain fixed assets totalling **R33m** (2019: Rnil) which have been classified as held for sale under IFRS 5.

(4) The Group has decided to dispose of certain property and equipment classified as held for sale under IFRS 5 resulting in an impairment of **R19m** (2019: R64m). As the property and equipment will be disposed of, the impairment was calculated based on fair value less costs to sell prior to transferring the assets to non-current assets held for sale. In addition, property and equipment amounting to **R204m** (2019: R144) was impaired without a related transfer to non-current assets held for sale.

(5) The net amount is reflected after taxation and non-controlling interest.

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8. Dividends per share

	2020 Rm	2019 Rm
Dividends declared to ordinary equity holders		
Interim dividend[1] **(2020: 0 cps)** (13 August 2019: 505 cps)	—	4 280
Final dividend[1] **(15 March 2021: 0 cps)** (11 March 2020: 620 cps)	—	5 256
	—	9 536
Dividends declared to ordinary equity holders (net of treasury shares)[2]		
Interim dividend[1] **(2020: 0 cps)** (13 August 2019: 505 cps)	—	4 196
Final dividend[1] **(15 March 2021: 0 cps)** (11 March 2020 : 620 cps)	—	5 137
	—	9 333
Dividends declared to non-controlling preference equity holders		
Interim dividend **(24 August 2020: 2 741.02740 cps)** (13 August 2019: 3 595.89 cps)	135	178
Final dividend **(15 March 2021: 2 429.86301 cps)** (11 March 2020: 3 469.31507 cps)	120	172
	255	350
Distributions declared to additional Tier 1 capital note holders		
Distribution	589	435
10 January 2020: 29 049.32 Rands per note (rpn); 10 January 2019: 29 981.67 rpn	36	37
28 February 2020: 28 502.36 rpn	47	—
05 March 2020: 27 569.26 rpn	38	—
12 March 2020: 31 039.73 rpn; 12 March 2019: 31 561.64 rpn	47	47
14 April 2020: 30 061.64 rpn; 10 April 2019: 29 342.47 rpn	37	36
28 May 2020: 27 143.01 rpn	46	—
5 June 2020: 27 075.73 rpn	37	—
12 June 2020: 30 392.77 rpn; 12 June 2019: 32 263.01 rpn	46	49
10 July 2020: 24 669.86; 10 July 2019: 29 688.43 rpn	31	37
28 August 2020: 21 487.67; 28 August 2019: 29 344.21 rpn	36	49
07 September 2020: 21 138.41 rpn	29	—
14 September 2020: 24 702.68 rpn; 12 September 2019: 32 031.12 rpn	37	48
12 October 2020: 22 212.33 rpn; 10 October 2019: 29 659.28 rpn	28	37
30 November 2020: 20 453.37 rpn; 28 November 2019: 28 525.04 rpn	34	48
07 December 2020: 19 177.32 rpn	26	—
14 December 2020: 22 500.68 rpn; 12 December 2019: 31 059.67 rpn	34	47
	589	435
Dividends paid to ordinary equity holders (net of treasury shares)[2]		
Final dividend **(20 April 2020: 620 cps)** (15 April 2019: 620 cps)	5 115	5 130
Interim dividend[1] **(2020: 0 cps)** (16 September 2019: 505 cps)	—	4 247
	5 115	9 377
Dividends paid to non-controlling preference equity holders		
Final dividend **(20 April 2020: 3 469.31507 cps)** (15 April 2019: 3 518.6986 cps)	172	174
Interim dividend[1] **(21 September 2020: 2 741.0274 cps)** (16 September 2019: 3 595.89 cps)	135	178
	307	352

[1] In the current economic climate, capital conservation, including proactive and appropriate management thereof, is regarded paramount to the Group's sustainability over the short to medium term. The Prudential Authority (PA) has encouraged the boards of directors of banks to ensure that capital conservation takes ultimate priority over any distributions of dividends on ordinary shares. As a result no dividend was declared for the period ended 31 December 2020.

[2] The dividends paid on treasury shares are calculated on payment date.

8. Dividends per share (continued)

	2020 Rm	2019 Rm
Distributions paid to additional Tier 1 capital note holders		
Distribution	589	435
10 January 2020: 29 049.32 Rands per note (rpn); 10 January 2019: 29 981.67 rpn	36	37
28 February 2020: 28 502.36 rpn	47	—
5 March 2020: 27 569.26 rpn	38	—
12 March 2020: 31 039.73 rpn; 12 March 2019: 31 561.64 rpn	47	47
14 April 2020: 30 061.65 rpn; 10 April 2019: 29 342.47 rpn	37	36
28 May 2020: 27 143.01 rpn	46	—
5 June 2020: 27 075.73 rpn	37	—
12 June 2020: 30 392.77 rpn; 12 June 2019: 32 263.01 rpn	46	49
10 July 2020: 24 669.86; 10 July 2019: 29 688.43 rpn	31	37
28 August 2020: 21 487.67; 28 August 2019: 29 344.21 rpn	36	49
07 September 2020: 21 138.41 rpn	29	—
14 September 2020: 24 702.68 rpn; 12 September 2019: 32 031.12 rpn	37	48
12 October 2020: 22 212.33 rpn; 10 October 2019: 29 659.28 rpn	28	37
30 November 2020: 20 453.37 rpn; 28 November 2019: 28 525.04 rpn	34	48
07 December 2020: 19 177.32 rpn	26	—
14 December 2020: 22 500.68 rpn; 12 December 2019: 31 059.67 rpn	34	47
	589	435

9. Acquisitions and disposals of businesses and other similar transactions

9.1 Acquisitions of businesses during the current reporting period

Effective 1 March 2020, the Group acquired a 100% interest in the assets and liabilities of Societe Generale's South African custody and trustee business. The acquisition was accounted for under IFRS 3 *Business Combinations*. The Group undertook the acquisition in order to be able to offer customers custody and trustee capabilities. The fair value of the net assets acquired exceeded the fair value of the consideration payable to Societe Generale of **Rnil**, and consequently, following the requirements of IFRS 3, a gain was recognised in connection with the transaction.

In terms of IFRS 10 *Consolidated Financial Statements*, an entity should be consolidated once an investor has sufficient exposure to the variable returns of the entity, as well as the ability to effect the returns through its power over the investee. The Absa Balanced Fund is a unit trust fund managed by the Group; and therefore has sufficient exposure and the ability to effect its returns. In addition, policyholders invest in the fund through investment products; for which the Group does not achieve derecognition in terms of IFRS.

Consequently the Group recognised the policyholders' investment in the fund (previously as 'investments linked to investment contracts'); together with an obligation to transfer all benefits to the policyholders as 'liabilities under investment contracts'. The effective holding in the Absa Balanced Fund, a unit trust managed by the Group, increased to the extent that the Group has a right to a significant component of the variable returns from the fund; therefore warranting consolidation. At the time of consolidation of the fund, the assets and liabilities of the fund (before eliminating assets already owned by the Group) amounted to **R1 593m** each; with a net asset value of **Rnil**. After the effect of eliminating assets already owned by the Group, the attributable fair value of the net assets acquired is **R530m**, fair value of investment at point of consolidation is **R530m**, and following the requirements of IFRS 3, no gain nor goodwill was recognised in connection with the increased holdings acquired.

	Societe Generale Rm	Absa Balanced Fund Rm	Fair value recognised on acquisition date Rm
Recognised amounts of identifiable assets acquired and liabilities assumed			
Cash and balances at central banks	220	7	**227**
Property and equipment	1	—	**1**
Investment securities	—	533	**533**
Loans and advances to customers	159	—	**159**
Other assets	—	3	**3**
Investments linked to investment contracts	—	1 050	**1 050**
Intangible assets	35	—	**35**
Deposits due to customers	(317)	—	**(317)**
Liabilities to customers under investment contracts	—	(1 044)	**(1 044)**
Other liabilities	—	(19)	**(19)**
Provisions	(12)	—	**(12)**
Total identifiable net assets	86	530	**616**
Fair value of investment at point on consolidation	—	(530)	**(530)**
Gain on bargain purchase	86	—	**86**

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9. Acquisitions and disposals of businesses and other similar transactions (continued)

9.2 Disposals of businesses and similar transactions during the current reporting period

The Group fully disposed of the Edcon loan book in South Africa and Namibia on 1 February 2020. The Group received a cash consideration of **R3 740m** on disposal.

The Group fully disposed of First Assurance Tanzania on 30 November 2020 for a cash consideration of **Rnil**.

9.3 Acquisitions and disposals of businesses during the previous reporting period

There were no acquisitions or disposals of businesses during the previous reporting period.

10. Related parties

The Group announced the appointment of Daniel Mminele as its new Group Chief Executive, effective from the 15 January 2020.

During the current year the Group increased its shareholding in Instant Life Proprietary Limited from 75% to 100%. Instant Life Proprietary Limited remains a subsidiary before and after the increase; it is now considered a wholly owned subsidiary.

In light of the SARB's withdrawal of cheques as a form of payment from the National Payments System in South Africa, the Group, as well as Standard Bank have given an official notice to exit cheque instruments with effect from 31 December 2020 and consequently no longer requires the services of cheque processing provided by Integrated Processing Solutions Proprietary Limited (IPS); a joint venture that the Group holds with Standard Bank Group Limited.

The Board of Directors of IPS have approved the dissolution of IPS and processes to effect this decision are under way. As a result, an impairment loss of **R11m** has been recognised.

In the prior reporting period, Maria Ramos announced her retirement as the CEO of Absa Group Limited from 28 February 2019. The Board appointed René van Wyk as Absa's Chief Executive Officer for an interim period, with effect from 1 March 2019 to 14 January 2020.

11. Contingencies, commitments and similar items

	2020 Rm	2019 Rm
Guarantees	**45 405**	45 325
Irrevocable debt facilities	**176 264**	174 827
Irrevocable equity facilities	—	7
Letters of credit	**12 722**	10 463
Other	—	1
	234 391	230 623
Authorised capital expenditure		
Contracted but not provided for	**758**	1 174

Guarantees include performance guarantee contracts and financial guarantee contracts.

Financial guarantee contracts represent contracts where the Group undertakes to make specified payments to a counterparty, should the counterparty suffer a loss as a result of a specified debtor failing to make payment when due in accordance with the terms of a debt instrument. This amount represents the maximum off-statement of financial position exposure.

Irrevocable facilities are commitments to extend credit where the Group does not have the right to terminate the facilities by written notice.

Irrevocable debt facilities do not include other lending facilities which are revocable but for which an impairment provision has been raised (i.e. revolving products). The value of exposure to these other lending facilities is included in the credit risk disclosure, whereas the above table presents only those gross loan commitments that are contractually committed and are legally irrevocable.

Commitments generally have fixed expiry dates. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

The Group has capital commitments in respect of computer equipment, software and property development. Management is confident that future net revenues and funding will be sufficient to cover these commitments.

11. Contingencies, commitments and similar items (continued)

Legal matters

The Group has been party to proceedings against it during the reporting period. As at the reporting date the following material cases remain open:

- MyRoof: During 2015, Absa terminated an agreement in terms of which MyRoof provided an online electronic system to Absa that facilitated the advertising and sale of distressed home loans properties. A dispute subsequently arose, with MyRoof contending that Absa owed to it certain commission-based fee revenue. This resulted in the institution of arbitration proceedings in which MyRoof claims a statement and debatement of account. Absa is disputing both the substance and the quantum of the claim.
- Absa has received a claim under a guarantee issued by it to secure the obligations of a subsidiary for an amount of US$64m. Absa is defending the matter.

The Group is engaged in various other legal, competition and regulatory matters both in South Africa and a number of other jurisdictions. It is involved in legal proceedings which arise in the ordinary course of business from time to time, including (but not limited to) disputes in relation to contracts, securities, debt collection, consumer credit, fraud, trusts, client assets, competition, data protection, money laundering, employment, environmental and other statutory and common law issues.

The Group is also subject to enquiries and examinations, requests for information, audits, investigations and legal and other proceedings by regulators, governmental and other public bodies in connection with (but not limited to) consumer protection measures, compliance with legislation and regulation, wholesale trading activity and other areas of banking and business activities in which the Group is or has been engaged.

At the present time, the Group does not expect the ultimate resolution of any of these other matters to have a material adverse effect on its financial position. However, in light of the uncertainties involved in such matters and the matters specifically described in this note, there can be no assurance that the outcome of a particular matter or matters will not be material to the Group's results of operations or cash flow for a particular period, depending on, among other things, the amount of the loss resulting from the matter(s) and the amount of income otherwise reported for the reporting period.

The Group has not disclosed the contingent liabilities associated with these matters either because they cannot reasonably be estimated or because such disclosure could be prejudicial to the outcome of the matter. Provision is made for all liabilities which are expected to materialise.

Regulatory matters

The scale of regulatory change remains challenging and the global financial crisis has resulted in a significant tightening of regulation and changes to regulatory structures globally and locally, especially for companies that are deemed to be of systemic importance. Concurrently, there is continuing political and regulatory scrutiny of the operation of the banking and consumer credit industries globally which, in some cases, is leading to increased regulation.

The nature and impact of future changes in the legal framework, policies and regulatory action especially in the areas of financial crime, banking and insurance regulation, cannot currently be fully predicted and are beyond the Group's control. Some of these are likely to have an impact on the Group's businesses, systems and earnings.

The Group is continuously evaluating its programmes and controls in general relating to compliance with regulation. The Group undertakes monitoring, review and assurance activities, and the Group has also adopted appropriate remedial and/or mitigating steps, where necessary or advisable, and has made disclosures on material findings as and when appropriate.

Income taxes

The Group is subject to income taxes in numerous jurisdictions and the calculation of the Group's tax charge and provisions for income taxes necessarily involves a degree of estimation and judgement. There are many transactions and calculations for which the ultimate tax treatment is uncertain or in respect of which the relevant tax authorities may indicate disagreement with the Group's treatment and accordingly the final tax charge cannot be determined until resolution has been reached with the relevant tax authority.

The Group recognises provisions for anticipated tax audit issues based on estimates of whether additional taxes will be due after taking into account external advice where appropriate. The carrying amount of any resulting provisions will be sensitive to the manner in which tax matters are expected to be resolved, and the stage of negotiations or discussion with the relevant tax authorities. There may be significant uncertainty around the final outcome of tax proceedings, which in many instances will only be concluded after a number of years. Management estimates are informed by a number of factors including, *inter alia*, the progress made in discussions or negotiations with the tax authorities, the advice of expert legal counsel, precedent set by the outcome of any previous claims, as well as the nature of the relevant tax environment.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the reporting period in which such determination is made. These risks are managed in accordance with the Group's tax risk framework.

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12. Segment reporting

	2020 Rm	2019 Rm
12.1 Total headline earnings by segment		
RBB South Africa	**4 270**	9 510
CIB South Africa	**3 035**	3 230
ARO	**1 589**	3 635
Head Office, Treasury and other operations South Africa[1]	**(929)**	(110)
Barclays PLC separation effects[2]	**(1 927)**	(1 739)
	6 038	14 526
12.2 Total income by segment		
RBB South Africa	**48 577**	49 572
CIB South Africa	**12 534**	11 040
ARO	**20 149**	18 605
Head Office, Treasury and other operations South Africa[1]	**122**	744
Barclays PLC separation effects[2]	**211**	159
	81 593	80 120
12.3 Total internal income by segment		
RBB South Africa	**(2 561)**	(9 117)
CIB South Africa	**(5 866)**	(9 447)
ARO	**(293)**	(339)
Head Office, Treasury and other operations South Africa[1]	**8 653**	18 708
Barclays PLC separation effects[2]	**67**	195
	—	—
12.4 Total assets by segment		
RBB South Africa	**968 092**	917 064
CIB South Africa[3]	**812 731**	660 812
ARO	**225 238**	217 987
Head Office, Treasury and other operations South Africa[1, 3]	**(480 097)**	(401 369)
Barclays PLC separation effects[2]	**5 156**	4 681
	1 531 120	1 399 175
12.5 Total liabilities by segment		
RBB South Africa	**956 641**	900 578
CIB South Africa[3]	**807 356**	654 731
ARO	**203 923**	195 491
Head Office, Treasury and other operations South Africa[1, 3]	**(569 502)**	(478 146)
Barclays PLC separation effects[2]	**399**	(2 162)
	1 398 817	1 270 492

[1] Head Office, Treasury and other operations in South Africa represents a reconciling stripe and is not a reporting segment.

[2] 'Barclays PLC separation effects' is the reconciling stripe and does not represent a reportable segment.

[3] The transfer of other assets from Corporate SA to Investment Bank has increased Corporate SA's excess cash placements with Group Treasury, this has resulted in a restatement of total assets to **R401 369m** (previously reported as R369 109m) and simultaneously increased Investment Bank's SA's reliance on funding from Group Treasury resulting in a restatement of total liabilities to **R478 146m** (previously reported as R445 886m).

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13. Assets and liabilities not held at fair value

The following table summarises the carrying amounts and fair value of those assets and liabilities not held at fair value.

	2020		2019	
	Carrying amount Rm	Fair value Rm	Carrying amount Rm	Fair value Rm
Financial assets				
Balances with other central banks	13 441	13 441	13 176	13 176
Balances with the South African Reserve Bank (SARB)	25 467	25 467	16 587	16 587
Coins and bank notes	14 403	14 403	14 033	14 033
Cash, cash balances and balances with central banks	53 311	53 311	43 796	43 796
Investment securities	31 773	34 246	8 379	8 356
Loans and advances to banks	52 708	52 669	30 292	30 292
Other assets	17 123	17 123	26 883	26 883
RBB South Africa	517 253	512 203	506 478	507 926
Home Loans	247 679	245 702	237 391	237 391
Vehicle and Asset Finance	89 129	87 739	83 740	84 080
Everyday Banking	58 022	57 305	61 386	61 998
Card	36 405	36 405	37 054	37 463
Personal Loans	18 410	17 693	20 857	21 022
Transactions and Deposits	3 207	3 207	3 475	3 513
Relationship Banking	122 423	121 457	123 960	124 456
RBB Other	—	—	1	1
CIB South Africa	239 502	243 869	230 573	230 573
ARO[1]	108 249	107 596	111 465	111 465
RBB	55 321	55 420	52 027	52 027
CIB	52 928	52 176	59 438	59 438
Head Office, Treasury and other operations in South Africa	1 064	1 064	806	806
Loans and advances to customers – net of impairment losses	866 068	864 732	849 322	850 770
Non-current assets held for sale	—	—	3 865	3 865
Total assets (not held at fair value)	1 020 983	1 022 081	962 537	963 962
Financial liabilities				
Deposits from banks	63 384	63 679	76 743	76 786
Other liabilities	29 068	29 068	18 876	18 892
Call deposits	108 258	108 258	82 773	82 773
Cheque account deposits	268 696	268 696	204 187	204 187
Credit card deposits	2 033	2 033	1 862	1 862
Fixed deposits	187 777	191 690	189 121	189 544
Foreign currency deposits	46 824	46 824	41 567	41 567
Notice deposits	74 139	74 139	68 997	68 997
Other deposits	1 267	1 267	943	943
Repurchase agreement	—	—	261	261
Saving and transmission deposits	208 689	208 689	179 892	179 892
Deposits due to customers	897 683	901 596	769 603	770 026
Debt securities in issue	121 637	122 334	130 846	133 583
Borrowed funds	20 761	20 902	21 418	21 418
Total liabilities (not held at fair value)	1 132 533	1 137 579	1 017 486	1 020 705

[1] The ARO segment has been expanded to provide more comprehensive disclosures in relation to ARO RBB and ARO CIB.

14. Assets and liabilities held at fair value

14.1 Fair value measurement and valuation processes

Financial assets and financial liabilities

The Group has an established control framework with respect to the measurement of fair values. The framework includes a Traded Risk and Valuations Committee and an Independent Valuation Control (IVC) team, which is independent from the front office.

The Traded Risk and Valuations Committee, which comprises representatives from senior management, will formally approve valuation policies and any changes to valuation methodologies. Significant valuation issues are reported to the Absa Group Audit and Compliance Committee.

The Traded Risk and Valuations Committee is responsible for overseeing the valuation control process and will therefore consider the appropriateness of valuation techniques and inputs for fair value measurement.

The IVC team independently verifies the results of trading and investment operations and all significant fair value measurements. They source independent data from external independent parties, as well as internal risk areas when performing independent price verification for all financial instruments held at fair value. They also assess and document the inputs obtained from external independent sources to measure the fair value which supports conclusions that valuations are performed in accordance with IFRS and internal valuation policies.

Investment properties

The fair value of investment properties is determined based on the most appropriate methodology applicable to the specific property. Methodologies include the market comparable approach that reflects recent transaction prices for similar properties, discounted cash flows and income capitalisation methodologies. In estimating the fair value of the properties, the highest and best use of the properties is taken into account.

Where possible the fair value of the Group's investment properties is determined through valuations performed by external independent valuators.

When the Group's internal valuations are different to that of the external independent valuers, detailed procedures are performed to substantiate the differences, whereby the IVC team verifies the procedures performed by the front office and considers the appropriateness of any differences to external independent valuations.

14.2 Fair value measurements

Valuation inputs

IFRS 13 requires an entity to classify fair values measured and/or disclosed according to a hierarchy that reflects the significance of observable market inputs. The three levels of the fair value hierarchy are defined as follows:

Quoted market prices – Level 1

Fair values are classified as Level 1 if they have been determined using observable prices in an active market. Such fair values are determined with reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputs – Level 2

Fair values are classified as Level 2 if they have been determined using models for which inputs are observable in an active market.

A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price.

Valuation technique using significant unobservable inputs – Level 3

Fair values are classified as Level 3 if their determination incorporates significant inputs that are not based on observable market data (unobservable inputs). An input is deemed significant if it is shown to contribute more than 10% to the fair value of an item. Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

The current market and economic conditions arising as a result of the impact of Covid-19 have resulted in increased volatilities of Level 1 fair values, which have been experienced at both a local and global level. The effects thereof have further had a knock-on effect on the valuation inputs used in the determination of the fair value of Level 2 and Level 3 assets and liabilities. The use of non-observable inputs (in the case of Level 2 and Level 3 balances), has resulted in the Group's re-assessment of the assumptions and judgements applied, which have been updated to take into account uncertainties arising as a result of the global pandemic, through the adjustment of expectations of future cash flows, discount rates, and other significant valuation inputs. Covid-19 did not have an impact on the Group's classifications of fair values within the hierarchy.

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14. Assets and liabilities held at fair value (continued)

14.2 Fair value measurements (continued)

Judgemental inputs on valuation of principal instruments

The following summary sets out the principal instruments whose valuation may involve judgemental inputs:

Debt securities and treasury and other eligible bills

These instruments are valued, based on quoted market prices from an exchange, dealer, broker, industry group or pricing service, where available. Where unavailable, fair value is determined by reference to quoted market prices for similar instruments or, in the case of certain mortgage-backed securities, valuation techniques using inputs derived from observable market data, and, where relevant, assumptions in respect of unobservable inputs.

Equity instruments

Equity instruments are valued, based on quoted market prices from an exchange, dealer, broker, industry group or pricing service, where available. Where unavailable, fair value is determined by reference to quoted market prices for similar instruments or by using valuation techniques using inputs derived from observable market data, and, where relevant, assumptions in respect of unobservable inputs.

Also included in equity instruments are non-public investments, which include investments in venture capital organisations. The fair value of these investments is determined using appropriate valuation methodologies which, dependent on the nature of the investment, may include discounted cash flow analysis, enterprise value comparisons with similar companies and price earnings comparisons. For each investment, the relevant methodology is applied consistently over time.

Derivatives

Derivative contracts can be exchange-traded or traded over-the-counter (OTC). OTC derivative contracts include forward, swap and option contracts related to interest rates, bonds, foreign currencies, credit spreads, equity prices and commodity prices or indices on these instruments. Fair values of derivatives are obtained from quoted market prices, dealer price quotations, discounted cash flow and option pricing models.

Loans and advances

The disclosed fair value of loans and advances to banks and customers is determined by discounting contractual cash flows. Discount factors are determined using the relevant forward base rates (as at valuation date) plus the originally priced spread. Where a significant change in credit risk has occurred, an updated spread is used to reflect valuation date pricing. Behavioural cash flow profiles, instead of contractual cash flow profiles, are used to determine expected cash flows where contractual cash flow profiles would provide an inaccurate fair value.

Deposits, debt securities in issue and borrowed funds

Deposits, debt securities in issue and borrowed funds are valued using discounted cash flow models, applying rates currently offered for issuances with similar characteristics. Where these instruments include embedded derivatives, the embedded derivative component is valued using the methodology for derivatives as detailed above.

The fair value of amortised cost deposits repayable on demand is considered to be equal to their carrying value. For other financial liabilities at amortised cost the disclosed fair value approximates the carrying value because the instruments are short term in nature or have interest rates that reprice frequently.

14.3 Fair value adjustments

The main valuation adjustments required to arrive at a fair value are described below:

Bid-offer valuation adjustments

For assets and liabilities where the Group is not a market maker, mid-prices are adjusted to bid and offer prices respectively. Bid-offer adjustments reflect expected close out strategy and, for derivatives, the fact that they are managed on a portfolio basis. The methodology for determining the bid-offer adjustment for a derivative portfolio will generally involve netting between long and short positions and the bucketing of risk by strike and term in accordance with hedging strategy. Bid-offer levels are derived from market sources, such as broker data. For those assets and liabilities where the firm is a market maker and has the ability to transact at, or better than, mid-price (which is the case for certain equity, bond and vanilla derivative markets), the mid-price is used, since the bid-offer spread does not represent a transaction cost.

Uncollateralised derivative adjustments

A fair value adjustment is incorporated into uncollateralised derivative valuations to reflect the impact on fair value of counterparty credit risk, the Group's own credit quality, as well as the cost of funding across all asset classes.

Model valuation adjustments

Valuation models are reviewed under the Group's model governance framework. This process identifies the assumptions used and any model limitations (for example, if the model does not incorporate volatility skew). Where necessary, fair value adjustments will be applied to take these factors into account. Model valuation adjustments are dependent on the size of portfolio, complexity of the model, whether the model is market standard and to what extent it incorporates all known risk factors. All models and model valuation adjustments are subject to review on at least an annual basis.

14. Assets and liabilities held at fair value (continued)

14.4 Fair value hierarchy

The following table shows the Group's assets and liabilities that are recognised and subsequently measured at fair value and are analysed by valuation techniques. The classification of assets and liabilities is based on the lowest level input that is significant to the fair value measurement in its entirety.

	2020				2019			
Recurring fair value measurements	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets								
Cash, cash balances and balances with central banks	461	6 910	—	7 371	2 674	6 062	—	8 736
Investment securities	44 363	65 456	11 912	121 731	37 726	56 444	14 198	108 368
Loans and advances to banks	—	31 830	—	31 830	—	29 453	—	29 453
Trading and hedging portfolio assets	91 382	129 555	2 502	223 439	71 868	82 914	6 256	161 038
Debt instruments	55 577	11 545	95	67 217	40 547	12 608	210	53 365
Derivative assets	—	108 151	1 701	109 852	—	57 268	3 672	60 940
Commodity derivatives	—	622	5	627	—	302	—	302
Credit derivatives	—	—	159	159	—	—	155	155
Equity derivatives	—	3 510	1 487	4 997	—	2 090	3 454	5 544
Foreign exchange derivatives	—	23 244	—	23 244	—	13 044	7	13 051
Interest rate derivatives	—	80 775	50	80 825	—	41 832	56	41 888
Equity instruments	35 243	—	—	35 243	30 775	—	—	30 775
Money market assets	562	9 859	706	11 127	546	13 038	2 374	15 958
Other assets	—	19	—	19	—	20	—	20
Loans and advances to customers	—	50 304	13 597	63 901	—	56 752	10 904	67 656
Investments linked to investment contracts	15 412	5 243	618	21 273	16 985	2 976	81	20 042
Total financial assets	151 618	289 317	28 629	469 564	129 253	234 621	31 439	395 313
Financial liabilities								
Deposits from banks	—	32 722	—	32 722	—	40 680	—	40 680
Trading and hedging portfolio liabilities	21 048	92 623	173	113 844	13 201	46 271	1 131	60 603
Derivative liabilities	—	92 623	173	92 796	—	46 271	1 131	47 402
Commodity derivatives	—	764	1	765	—	475	—	475
Credit derivatives	—	183	141	324	—	74	132	206
Equity derivatives	—	3 135	17	3 152	—	1 175	707	1 882
Foreign exchange derivatives	—	20 894	1	20 895	—	12 234	15	12 249
Interest rate derivatives	—	67 647	13	67 660	—	32 313	277	32 590
Short positions	21 048	—	—	21 048	13 201	—	—	13 201
Other liabilities	—	34	—	34	—	33	19	52
Deposits due to customers	128	49 401	4 682	54 211	156	52 077	4 457	56 690
Debt securities in issue	486	23 617	—	24 103	1 043	27 905	—	28 948
Liabilities under investment contracts	—	27 533	—	27 533	—	29 700	—	29 700
Total financial liabilities	21 662	225 930	4 855	252 447	14 400	196 666	5 607	216 673
Non-financial assets								
Commodities	1 082	—	—	1 082	668	—	—	668
Investment properties	—	—	496	496	—	—	513	513
Non-recurring fair value measurements								
Non-current assets held for sale[1]	—	—	144	144	—	—	126	126
Non-current liabilities held for sale[1]	—	—	—	—	—	—	112	112

[1] Includes certain items classified in terms of the requirements of IFRS 5 which are measured at fair value in terms of their respective standards.

14. Assets and liabilities held at fair value (continued)

14.5 Measurement of assets and liabilities categorised at Level 2

The following table presents information about the valuation techniques and significant observable inputs used in measuring assets and liabilities categorised as Level 2 in the fair value hierarchy:

Category of asset/liability	Valuation techniques applied	Significant observable inputs
Cash, cash balances and balances with central banks	Discounted cash flow models	Underlying price of market traded instruments and/or interest rates
Loans and advances to banks	Future cash flows are discounted using market-related interest rates, adjusted for credit inputs, over the contractual period of the instruments (that is, discounted cash flow)	Interest rates and/or money market curves, as well as credit spreads
Trading and hedging portfolio assets and liabilities		
Debt instruments	Discounted cash flow models	Underlying price of market instruments and/or interest rates
Derivatives		
Commodity derivatives	Discounted cash flow techniques, option pricing models, futures pricing models and/or Exchange Traded Fund (ETF) models	Spot price of physical or futures, market interest rates and/or volatilities
Credit derivatives	Discounted cash flow techniques and/or market standard credit derivative pricing	Interest rate, recovery rate and; credit spread and/or quanto ratio
Equity derivatives	Discounted cash flow models, option pricing models and/or futures pricing models	Spot price, interest rate, volatility and/or dividend stream
Foreign exchange derivatives	Discounted cash flow techniques and/or option pricing models	Interest rate curves, basis curves and/or volatilities
Interest rate derivatives	Discounted cash flow and/or swaption pricing models	Interest rate curves, repurchase agreement curves, money market curves and/or volatilities
Money market assets	Discounted cash flow models	Money market curves and/or interest rates
Loans and advances to customers	Discounted cash flow models	Interest rate curves, money market curves and/or credit spreads
Investment securities and investments linked to investment contracts	Discounted cash flow models	Underlying price of market traded instruments and/or interest rates
Deposits from banks	Discounted cash flow models	Interest rate curve, money market curves and/or credit spreads
Deposits due to customers	Discounted cash flow models	Interest rate curve, money market curves and/or credit spreads
Debt securities in issue and other liabilities	Discounted cash flow models	Underlying price of market traded instruments, interest rate curves and/or credit spreads

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14. Assets and liabilities held at fair value (continued)

14.6 Reconciliation of Level 3 assets and liabilities

A reconciliation of the opening balances to closing balances for all movements on Level 3 assets is set out below:

	2020					
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm	Investments linked to investment contracts Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	**6 256**	**10 904**	**14 198**	**513**	**81**	**31 952**
Net interest income	—	246	83	—	—	329
Gains and losses from banking and trading activities	(1 928)	523	(442)	(5)	—	(1 852)
Purchases	38	544	384	—	537	1 503
Sales	(176)	(931)	(2 570)	(44)	—	(3 721)
Movement in other comprehensive income	—	—	(699)	(12)	—	(711)
Transfer to Level 3	142	2 807	2 353	—	—	5 302
Transfer out of Level 3	(1 830)	(496)	(1 395)	—	—	(3 677)
Closing balance at the end of the reporting period	**2 502**	**13 597**	**11 912**	**496**	**618**	**29 125**

	2019					
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm	Investments linked to investment contracts Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	3 449	10 661	11 991	508	192	26 801
Net interest income	—	439	88	—	—	527
Other income	—	—	—	12	—	12
Gains and losses from banking and trading activities	1 973	(471)	36	—	—	1 538
Gains and losses from investment activities	—	—	19	—	—	19
Purchases	1 101	4 602	1 401	1	—	7 105
Sales	(333)	(1 767)	(836)	(2)	(111)	(3 049)
Movement in other comprehensive income	—	—	(95)	(6)	—	(101)
Settlements	—	—	(7)	—	—	(7)
Transfer to Level 3	962	52	2 134	—	—	3 148
Transfer out of Level 3	(896)	(2 612)	(533)	—	—	(4 041)
Closing balance at the end of the reporting period	6 256	10 904	14 198	513	81	31 952

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14. Assets and liabilities held at fair value (continued)

14.6 Reconciliation of Level 3 assets and liabilities (continued)

A reconciliation of the opening balances to closing balances for all movements on Level 3 liabilities is set out below:

	2020				
	Deposits from banks Rm	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	—	1 131	19	4 457	5 607
Gains and losses from banking and trading activities	—	(706)	—	306	(400)
Movement in other comprehensive income	—	—	—	(55)	(55)
Issues	—	38	34	1 804	1 876
Settlements	—	(263)	(53)	(1 104)	(1 420)
Transfer to Level 3	—	—	—	77	77
Transfer out of Level 3	—	(27)	—	(803)	(830)
Closing balance at the end of the reporting period	—	173	—	4 682	4 855

	2019				
	Deposits from banks Rm	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	19	1 454	45	2 823	4 341
Gains and losses from banking and trading activities	—	276	—	96	372
Movement in other comprehensive income	—	—	—	2	2
Issues	—	36	8	4 850	4 894
Settlements	—	—	—	(2 317)	(2 317)
Transfer out of Level 3	(19)	(635)	—	(997)	(1 651)
Inter-business transfer in/(out)	—	—	(34)	—	(34)
Closing balance at the end of the reporting period	—	1 131	19	4 457	5 607

14.6.1 Significant transfers between levels

During the 2020 and 2019 reporting periods, transfers between levels occurred because of changes in the observability of valuation inputs, in some instances owing to changes in the level of market activity. Transfers have been reflected as if they had taken place at the beginning of the year. Covid-19 did not have impact on transfers between levels.

14.7 Unrealised gains and losses on Level 3 assets and liabilities

The total unrealised gains and losses for the reporting period on Level 3 positions held at the reporting date are set out below:

	2020						
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Total assets at fair value Rm	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	1 774	3 192	(115)	4 851	(104)	(490)	(594)

	2019						
	Trading and hedging portfolio assets Rm	Loans and advances to customers[(1)] Rm	Investment securities[(1)] Rm	Total assets at fair value Rm	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Total liabilities at fair value Rm
Gains and (losses) from banking and trading activities	3 197	871	342	4 410	(520)	163	(357)

[(1)] In 2019, the Group inadvertently disclosed the incorrect unrealised gains and losses balance for loans and advances to customers and investment securities. This has led to a restatement of the loans and advances to customers balance from R539m to R871m and the restatement of the investment securities balance from R220m to R342m.

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14. Assets and liabilities held at fair value (continued)

14.8 Sensitivity analysis of valuations using unobservable inputs

As part of the Group's risk management processes, we perform a sensitivity analysis on the significant unobservable parameters, in order to determine the impact of reasonably possible alternative assumptions on the valuation of Level 3 financial assets and liabilities. The assets and liabilities that most impact this sensitivity analysis are those with more illiquid and/or structured portfolios. The alternative assumptions are applied independently and do not take account of any cross correlation between assumptions that would reduce the overall effect on the valuations.

The following table reflects the reasonable possible variances applied to significant parameters utilised in our valuations:

Significant unobservable parameter	Positive/(negative) variance applied to parameters
Credit spreads	100/(100) bps
Volatilities	10/(10)%
Basis curves	100/(100) bps
Yield curves and repo curves	100/(100) bps
Future earnings and marketability discounts	15/(15)%
Funding spreads	100/(100) bps

A significant parameter has been deemed to be one which may result in a charge to profit or loss, or a change in the fair value of the asset or liability by more than 10% of the underlying value of the affected item. This is demonstrated by the following sensitivity analysis which includes a reasonable range of possible outcomes:

		2020	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/(Unfavourable) Rm	Favourable/(Unfavourable) Rm
Deposits due to customers	**Absa Group Limited /Absa funding spread**	**344/(394)**	**—/—**
Investment securities and investments linked to investment contracts	**Risk adjustment yield curves, future earnings and marketability discount**	**—/—**	**(170)/175**
Loans and advances to customers	**Credit spreads**	**(782)/848**	**—/—**
Trading and hedging portfolio assets	**Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads**	**(18)/19**	**—/—**
Trading and hedging portfolio liabilities	**Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads**	**(37)/37**	**—/—**

		2019	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/(Unfavourable) Rm	Favourable/(Unfavourable) Rm
Deposits due to customers	Absa Group Limited /Absa funding spread	349/(395)	—/—
Investment securities and investments linked to investment contracts	Risk adjustment yield curves, future earnings and marketability discount	—/—	(303)/313
Loans and advances to customers	Credit spreads	(692)/760	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	177/(174)	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	(261)/261	—/—

14. Assets and liabilities held at fair value (continued)

14.9 Measurement of assets and liabilities at Level 3

The following table presents information about the valuation techniques and significant unobservable inputs used in measuring assets and liabilities categorised as Level 3 in the fair value hierarchy:

Category of asset/liability	Valuation techniques applied	Significant unobservable inputs	2020 Range of estimates utilised for the unobservable inputs	2019 Range of estimates utilised for the unobservable inputs
Loans and advances to banks and customers	Discounted cash flow models and/or yield for debt instruments	Credit spreads	**0.07% to 3.21%**	0.1% to 2.9%
Investment securities and investments linked to investment contracts	Discounted cash flow models, third-party valuations, earnings multiples and/or income capitalisation valuations	Risk adjusted yield curves, future earnings, marketability discounts and/or competitor multiples	**Discount rate of 7.75% to 8%**	Discount rate of 7.75% to 8%
Trading and hedging portfolio assets and liabilities				
Debt instruments	Discounted cash flow models	Credit spreads	**0.2% to 13%**	0.5% to 12.8%
Derivative assets				
Credit derivatives	Discounted cash flow and/or credit default swap (hazard rate) models	Credit spreads, recovery rates and/or quanto ratio	**0.03% to 26.5%, 15% to 93%, 60% to 90%**	0.02% to 26%, 15% to 93.2%, 60% to 90%
Equity derivatives	Discounted cash flow, option pricing and/or futures pricing models	Volatility and/or dividend streams (greater than 3 years)	**16.9% to 58.3%**	9.3% to 67.3%
Foreign exchange derivatives	Discounted cash flow and/or option pricing models	African basis curves (greater than 1 year)	**0.56% to 26.5%**	1.4% to 26%
Interest rate derivatives	Discounted cash flow and/or option pricing models	Real yield curves (greater than 1 year), repurchase agreement curves (greater than 1 year), funding spreads	**0.25% to 4.15%**	0.3% to 8.5%
Deposits due to customers	Discounted cash flow models	Absa Group Limited's funding spreads (greater than 5 years)	**1.075% to 1.550%**	1.13% to 1.7%
Debt securities in issue	Discounted cash flow models	Funding curves (greater than 5 years)	**1.075% to 1.550%**	1.13% to 1.7%
Investment properties	Discounted cash flow models	Estimates of periods in which rental units will be disposed of	**1 to 6 years**	1 to 6 years
		Annual selling price escalations	**6% to 8%**	6%
		Annual rental escalations	**n/a**	6%
		Income capitalisation rates	**7.75% to 8%**	7.5% to 8%
		Risk adjusted discount rates	**10% to 15%**	10% to 15%

For assets or liabilities held at amortised cost and disclosed in Levels 2 or 3 of the fair value hierarchy, the discounted cash flow valuation technique is used. Interest rates and money market curves are considered unobservable inputs for items which mature after 5 years. However, if the items mature in less than 5 years, these inputs are considered to be observable, depending on other facts and circumstances.

For debt securities in issue held at amortised cost, a further significant input would be the underlying price of the market traded instrument.

The sensitivity of the fair value measure is dependent on the unobservable inputs. Significant changes to the unobservable inputs in isolation will have either a positive or negative impact on fair values.

14.10 Unrecognised gains as a result of the use of valuation models using unobservable inputs

The amount that is yet to be recognised in the statement of comprehensive income that relates to the difference between the transaction price and the amount that would have arisen had valuation models using unobservable inputs been used on initial recognition, less amounts subsequently recognised, is as follows:

	2020 Rm	2019 Rm
Opening balance at the beginning of the reporting period	**(407)**	(428)
New transactions	**(105)**	(52)
Amounts recognised in profit or loss during the reporting period	**66**	73
Closing balance at the end of the reporting period	**(446)**	(407)

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14. Assets and liabilities held at fair value (continued)

14.11 Third-party credit enhancements

There were no significant liabilities measured at fair value and issued with inseparable third-party credit enhancements.

15. Additional risk management disclosure

The advent of Covid-19 has had a significant impact on the risks that the Group is exposed to as a result of the financial assets it holds and financial liabilities it issues. The Covid-19 risk management disclosures are aimed at demonstrating the impact that the virus has had on the Group's credit, liquidity, and market risks, as well as the way in which it manages its capital.

15.1 Credit risk disclosures

Credit risk is the risk of suffering financial loss due to a borrower, counterparty to a derivative transaction, or an issuer of debt securities defaulting on its contractual obligations.

In addition to the information provided in Note 1, the following table provides detail regarding the credit quality of financial instruments to which the impairment requirements in IFRS 9 are applicable, in terms of the Group's default grading (DG)[1] system. Comparative information at 31 December has been provided to illustrate how credit quality has changed during the period.

		Stage 1			Stage 2			Stage 3
Maximum exposure to credit risk	Gross maximum exposure Rm	DG1-9 Rm	DG10-19 Rm	DG20-21 Rm	DG1-9 Rm	DG10-19 Rm	DG20-21 Rm	Default Rm
Balances with other central banks	13 451	3 500	9 882	—	—	69	—	—
Balances with the SARB	25 460	25 460	—	—	—	—	—	—
Money market assets	2 867	2 867	—	—	—	—	—	—
Cash, cash balances and balances with central banks	**41 778**	**31 827**	**9 882**	**—**	**—**	**69**	**—**	**—**
Government bonds	65 970	65 202	768	—	—	—	—	—
Other	53 145	37 252	12 101	—	792	3 000	—	—
Treasury bills	21 205	16 061	5 043	—	—	101	—	—
Investment securities	**140 320**	**118 515**	**17 912**	**—**	**792**	**3 101**	**—**	**—**
Loans and advances to banks	**52 771**	**43 164**	**6 919**	**371**	**778**	**1 476**	**63**	**—**
Accounts receivable	9 393	6 516	2 826	—	50	1	—	—
Settlement accounts	7 799	2 671	5 128	—	—	—	—	—
Other assets	**17 192**	**9 187**	**7 954**	**—**	**50**	**1**	**—**	**—**
RBB South Africa	551 663	39 603	375 958	23 210	4 651	40 073	14 882	53 286
Home Loans	255 131	10 111	191 811	8 815	3 101	10 299	7 180	23 814
Vehicle and Asset Finance	94 877	1 293	65 769	9 494	1 230	5 084	4 291	7 716
Everyday Banking	73 731	10 952	32 992	4 901	114	7 110	3 411	14 251
Card	45 875	10 470	19 203	2 053	56	4 496	1 622	7 975
Personal Loans	23 785	228	12 246	2 421	19	1 690	1 591	5 590
Transactions and Deposits	4 071	254	1 543	427	39	924	198	686
Relationship Banking	127 871	17 247	85 386	—	206	17 580	—	7 452
RBB Other	53	—	—	—	—	—	—	53
CIB South Africa	242 361	120 265	75 238	2	11 749	27 576	1 503	6 028
ARO[1]	115 065	8 838	84 726	151	92	10 988	3 095	7 175
RBB	59 920	3 612	46 667	150	—	2 641	2 896	3 954
CIB	55 145	5 226	38 059	1	92	8 347	199	3 221
Head Office, Treasury and other operations in South Africa	612	369	21	—	—	222	—	—
Loans and advances to customers	**909 701**	**169 075**	**535 943**	**23 363**	**16 492**	**78 859**	**19 480**	**66 489**
Off-statement of financial position exposure								
Guarantees	45 405	21 190	16 684	63	357	5 813	302	996
Letters of credit	12 722	1 555	7 335	3	221	3 410	107	91
Revocable and irrevocable debt facilities	225 589	97 438	116 087	536	1 508	6 573	477	2 970
Total off-statement of financial position exposure	**283 716**	**120 183**	**140 106**	**602**	**2 086**	**15 796**	**886**	**4 057**

[1] Refer to Absa Group Limited's financial statements for the reporting period ending 31 December 2020 for DG bucket definitions.

15. Additional risk management disclosure (continued)

15.1 Credit risk disclosures (continued)

Maximum exposure to credit risk	Gross maximum exposure Rm	Stage 1 DG1-9 Rm	Stage 1 DG10-19 Rm	Stage 1 DG20-21 Rm	Stage 2 DG1-9 Rm	Stage 2 DG10-19 Rm	Stage 2 DG20-21 Rm	Stage 3 Default Rm
Balances with other central banks	13 181	4 843	8 085	—	—	253	—	—
Balances with the SARB	16 587	16 587	—	—	—	—	—	—
Money market assets	2 272	1 966	306	—	—	—	—	—
Cash, cash balances and balances with central banks	32 040	23 396	8 391	—	—	253	—	—
Government bonds	35 338	35 181	157	—	—	—	—	—
Other	44 966	33 888	9 362	—	322	1 394	—	—
Treasury bills	27 419	21 237	2 595	—	3 097	490	—	—
Investment securities	107 723	90 306	12 114	—	3 419	1 884	—	—
Loans and advances to banks	30 316	17 957	11 779	—	—	537	43	—
Accounts receivable	10 175	6 814	3 340	—	19	2	—	—
Settlement accounts	16 748	11 581	5 167	—	—	—	—	—
Other assets	26 923	18 395	8 507	—	19	2	—	—
RBB South Africa	530 280	45 624	385 659	20 319	593	26 714	11 788	39 583
Home Loans	242 826	11 081	191 335	7 531	227	8 414	5 282	18 956
Vehicle and Asset Finance	86 933	2 120	65 455	6 109	4	4 315	3 677	5 253
Everyday Banking	72 596	11 934	34 873	6 679	115	6 132	2 829	10 034
Card	44 445	11 066	19 847	2 066	38	3 825	1 219	6 384
Personal Loans	23 940	571	13 324	4 150	22	1 355	1 411	3 107
Transactions and Deposits	4 211	297	1 702	463	55	952	199	543
Relationship Banking	127 872	20 489	93 996	—	247	7 853	—	5 287
RBB Other	53	—	—	—	—	—	—	53
CIB South Africa	232 008	126 035	75 175	89	8 646	16 056	4 204	1 803
ARO[1]	116 474	10 308	91 676	230	—	5 692	2 961	5 607
RBB	55 386	4 242	43 905	230	—	1 309	2 450	3 250
CIB	61 088	6 066	47 771	—	—	4 383	511	2 357
Head Office, Treasury and other operations in South Africa	296	270	17	—	—	9	—	—
Loans and advances to customers	879 058	182 237	552 527	20 638	9 239	48 471	18 953	46 993
Off-statement of financial position exposure								
Guarantees	45 325	23 281	15 716	30	97	5 254	678	269
Letters of credit	10 463	647	5 762	14	258	3 730	44	8
Revocable and irrevocable debt facilities	224 197	45 162	160 006	8 947	735	4 796	1 277	3 274
Total off-statement of financial position exposure	279 985	69 090	181 484	8 991	1 090	13 780	1 999	3 551

[1] The ARO segment has been expanded to provide more comprehensive disclosures in relation to ARO RBB and ARO CIB.

15. Additional risk management disclosure (continued)

15.1 Credit risk disclosures (continued)

The following table provides detail regarding the credit quality of financial instruments which are classified as at fair value through profit and loss in terms of the Group's default grading (DG)[1] system. Comparative information at 31 December has been provided to illustrate how credit quality has changed during the period.

	2020			
Maximum exposure to credit risk	**Gross carrying amount Rm**	**DG1-9 Rm**	**DG10-19 Rm**	**DG20-21 Rm**
Cash, cash balances and balances with central banks	4 503	4 503	—	—
Money market assets	4 503	4 503	—	—
Investment securities	7 913	7 739	174	—
Government bonds	15	15	—	—
Other	5 154	4 980	174	—
Treasury bills	2 744	2 744	—	—
Loans and advances to banks	31 830	24 396	7 434	—
Trading and hedging portfolio assets	188 197	136 700	51 270	227
Debt instruments	67 218	47 872	19 346	—
Derivative assets	109 852	80 398	29 227	227
Money market assets	11 127	8 430	2 697	—
Other assets	19	19	—	—
Accounts receivable	19	19	—	—
Loans and advances to customers	63 901	29 841	34 060	—
Reinsurance assets	680	680	—	—
Insurance contracts	680	680	—	—
Investment linked to investment contracts	3 013	3 013	—	—
Debt instruments	1 705	1 705	—	—
Derivative instruments	2	2	—	—
Money market assets	1 306	1 306	—	—
Total	300 056	206 891	92 938	227

	2019			
Maximum exposure to credit risk	Gross carrying amount Rm	DG1-9 Rm	DG10-19 Rm	DG20-21 Rm
Cash, cash balances and balances with central banks	6 463	6 463	—	—
Money market assets	6 463	6 463	—	—
Investment securities	3 743	2 814	929	—
Government bonds	925	925	—	—
Other	2 818	1 889	929	—
Treasury bills	—	—	—	—
Loans and advances to banks	29 453	16 406	13 047	—
Trading and hedging portfolio assets	130 263	100 471	29 743	49
Debt instruments	53 364	41 649	11 715	—
Derivative assets	60 940	48 368	12 523	49
Money market assets	15 959	10 454	5 505	—
Other assets	20	20	—	—
Accounts receivable	20	20	—	—
Loans and advances to customers	67 656	33 399	34 026	231
Reinsurance assets	886	886	—	—
Insurance contracts	886	886	—	—
Investment linked to investment contracts	2 625	2 625	—	—
Debt instruments	816	816	—	—
Derivative instruments	6	6	—	—
Money market assets	1 803	1 803	—	—
Total	241 109	163 084	77 745	280

[1] Refer to Absa Group Limited's financial statements for the reporting period ending 31 December 2020 for the DG bucket definitions.

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15. Additional risk management disclosure (continued)

15.1 Credit risk disclosures (continued)

The following table sets out the analysis of credit risk mitigation and collateral held by the Group against its credit impaired, and other, financial assets, at 31 December 2020.

	2020				
		Collateral – credit impaired financial assets			
Analysis of credit risk mitigation and collateral	Gross maximum exposure[1] Rm	Guarantees credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm
Loans and advances to banks	84 601	—	—	—	—
Debt instruments	67 218	—	—	—	—
Derivative assets	109 852	—	—	—	—
Money market assets	11 127	—	—	—	—
Trading and hedging portfolio assets	188 197	—	—	—	—
RBB South Africa	677 201	31	31 190	57	53
Home Loans	308 820	—	21 583	—	—
Vehicle and Asset Finance	96 167	—	5 673	—	—
Everyday Banking	111 207	—	2	—	—
Card	77 676	—	—	—	—
Personal Loans	24 343	—	—	—	—
Transactions and Deposits	9 188	—	2	—	—
Relationship Banking	160 954	31	3 932	57	53
RBB Other	53	—	—	—	—
CIB South Africa	384 658	354	532	—	35
ARO	136 720	135	2 339	32	928
RBB	65 092	49	1 152	32	191
CIB	71 628	86	1 187	—	737
Head Office, Treasury and other operations in South Africa	612	—	—	—	—
Loans and advances to customers	1 199 191	520	34 061	89	1 016
Off-statement of financial position					
Guarantees	45 405	23	156	0	11
Letters of credit	12 722	—	26	—	—
Total off-statement of financial position exposure	58 127	23	182	0	11

For financial assets not listed in the table above, no credit mitigation or collateral was held during the reporting period.

[1] Included in the gross maximum exposure is the off-statement of financial position exposure for revocable and irrevocable debt facilities.

2020

		Collateral – not credit impaired financial assets					
Unsecured Rm	Total maximum exposure credit impaired financial assets[(1)] Rm	Guarantees credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm	Unsecured Rm	Total maximum exposure not credit impaired financial assets[(1)] Rm
—	—	390	—	—	18 664	65 547	84 601
—	—	—	—	—	—	67 218	67 218
—	—	—	—	3 169	74 288	32 395	109 852
—	—	—	—	—	—	11 127	11 127
—	—	—	—	3 169	74 288	110 740	188 197
24 683	56 014	2 129	448 510	1 221	195	169 132	621 187
2 307	23 890	—	263 420	—	—	21 510	284 930
2 043	7 716	—	48 809	—	—	39 642	88 451
16 826	16 828	—	—	—	—	94 379	94 379
10 475	10 475	—	—	—	—	67 201	67 201
5 607	5 607	—	—	—	—	18 736	18 736
744	746	—	—	—	—	8 442	8 442
3 454	7 527	2 129	136 281	1 221	195	13 601	153 427
53	53	—	—	—	—	—	—
5 107	6 028	537	49 177	—	35 392	293 524	378 630
3 979	7 413	10 652	34 640	1 846	8 238	73 931	129 307
2 637	4 061	2 028	15 969	938	1 771	40 325	61 031
1 342	3 352	8 624	18 671	908	6 467	33 606	68 276
—	—	—	—	—	—	612	612
33 769	69 455	13 318	532 327	3 067	43 825	537 199	1 129 736
806	996	724	5 796	784	217	36 888	44 409
65	91	325	1 406	1 249	476	9 175	12 631
871	1 087	1 049	7 202	2 033	693	46 063	57 040

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15. Additional risk management disclosure (continued)

15.1 Credit risk disclosures (continued)

		2019			
		Collateral – credit impaired financial assets			
Analysis of credit risk mitigation and collateral	Gross maximum exposure[1] Rm	Guarantees credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm
Loans and advances to banks	59 769	—	—	—	—
Debt instruments	53 365	—	—	—	—
Derivative assets	60 940	—	—	—	—
Money market assets	15 958	—	—	—	—
Trading and hedging portfolio assets	130 263	—	—	—	—
RBB South Africa	658 698	18	24 001	26	24
Home Loans	294 916	—	17 349	—	—
Vehicle and Asset Finance	88 585	—	3 985	—	—
Everyday Banking	118 409	—	1	—	—
Card	84 974	—	—	—	—
Personal Loans	24 466	—	—	—	—
Transactions and Deposits	8 969	—	1	—	—
Relationship Banking	156 735	18	2 666	26	24
RBB Other	53	—	—	—	—
CIB South Africa	365 236	187	150	—	40
ARO[2]	146 683	86	1 742	4	561
RBB	60 776	58	1 174	3	78
CIB	85 907	28	568	1	483
Head Office, Treasury and other operations in South Africa	295	—	—	—	—
Loans and advances to customers	1 170 912	291	25 893	30	625
Off-statement of financial position					
Guarantees	45 325	0	10	0	4
Letters of credit	10 463	—	3	—	—
Total off-statement of financial position exposure	55 788	0	13	0	4

For financial assets not listed in the table above, no credit mitigation or collateral was held during the reporting period.

[1] Included in the gross maximum exposure is the off-statement of financial position exposure for revocable and irrevocable debt facilities.
[2] The ARO segment has been expanded to provide more comprehensive disclosures in relation to ARO RBB and ARO CIB.

		2019					
		Collateral – not credit impaired financial assets					
Unsecured Rm	Total maximum exposure credit impaired financial assets[1] Rm	Guarantees credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm	Unsecured Rm	Total maximum exposure not credit impaired financial assets[1] Rm
—	—	350	—	—	26 013	33 406	59 769
—	—	—	—	—	—	53 365	53 365
—	—	74	—	1 212	43 992	15 662	60 940
—	—	—	—	—	—	15 958	15 958
—	—	74	—	1 212	43 992	84 985	130 263
18 610	42 679	201	426 764	853	272	187 929	616 019
1 671	19 020	—	255 389	—	—	20 507	275 896
1 267	5 252	—	45 237	—	—	38 096	83 333
13 006	13 007	—	—	—	—	105 402	105 402
9 321	9 321	—	—	—	—	75 653	75 653
3 119	3 119	—	—	—	—	21 347	21 347
566	567	—	—	—	—	8 402	8 402
2 613	5 347	201	126 138	853	272	23 924	151 388
53	53	—	—	—	—	—	—
1 427	1 804	9 393	46 873	—	40 771	266 395	363 432
3 386	5 779	10 156	38 345	1 647	7 377	83 379	140 904
2 085	3 398	1 579	23 250	636	1 511	30 402	57 378
1 301	2 381	8 577	15 095	1 011	5 866	52 977	83 526
—	—	—	—	—	—	295	295
23 423	50 262	19 750	511 982	2 500	48 420	537 998	1 120 650
255	269	1 187	5 384	1 266	187	37 032	45 056
5	8	94	1 077	483	174	8 627	10 455
260	277	1 281	6 461	1 749	361	45 659	55 511

15. Additional risk management disclosure (continued)

15.2 Treasury risk

15.2.1 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.

The Group's liquidity risk position was resilient, in line with risk appetite, and above the minimum regulatory requirements.

Group treasury management worked closely with regulators and supervisory authorities in addressing market-wide liquidity constraints that arose at the onset of the Covid-19 pandemic during the first half of 2020. The Group maintained an excess supply of US dollars to ensure conservative management of foreign currency liquidity. Liquidity conditions improved significantly during the second half of 2020.

The Group had a well-diversified deposit base and concentration risk was managed within appropriate guidelines. Sources of funding were managed to maintain a wide diversity of depositor, products, tenor and currencies. The Group's foreign currency funding position remained robust and flexible, with diversified funding facilities from international banks and appropriate tenors to meet term asset growth.

Liquidity risk is monitored at Group level under a single comprehensive Treasury Risk Framework. The Treasury Risk Framework was designed to deliver an appropriate tenor structure and composition of funding consistent with the risk appetite set by the Board. This framework is delivered through a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring.

All banking subsidiaries remained adequately liquid, maintaining compliance with Group treasury standards, local liquidity risk appetite and regulatory reporting requirements. Furthermore, subsidiaries were self-sufficient from a local currency liquidity and funding perspective, with limited reliance on Absa Bank for US dollar working capital.

The discounted maturity table below provides further analysis in terms of the Group's liquidity position as at 31 December 2020 in order to illustrate the change in the liquidity risk position since 31 December 2019.

	2020					
	Carrying amount (excluding impairment losses on amortised cost instruments)					
Discounted maturity	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Impairment losses Rm	Total Rm
Assets						
Cash, cash balances and balances with central banks	57 129	3 381	174	—	(2)	60 682
Investment securities	8 885	44 020	47 976	52 630	(7)	153 504
Loans and advances to banks	23 779	50 429	6 307	4 086	(63)	84 538
Trading and hedging portfolio assets	212 443	949	8 695	1 353	—	223 440
Derivative assets	98 855	949	8 695	1 353	—	109 852
Non-derivative assets	113 588	—	—	—	—	113 588
Other financial assets	8 386	8 646	178	—	(69)	17 141
Loans and advances to customers	149 068	203 735	365 592	255 207	(43 633)	929 969
Reinsurance assets	—	456	143	81	—	680
Investments linked to investment contracts	612	6 931	3 620	10 110	—	21 273
Financial assets	460 302	318 547	432 685	323 467	(43 774)	1 491 227
Non-financial assets						39 893
Total assets						1 531 120
Liabilities						
Deposits from banks	33 122	48 043	13 273	1 668	—	96 106
Trading and hedging portfolio liabilities	108 992	235	1 193	3 424	—	113 844
Derivative liabilities	87 944	235	1 193	3 424	—	92 796
Non-derivative liabilities	21 048	—	—	—	—	21 048
Other financial liabilities	14 699	10 361	137	—	—	25 197
Deposits due to customers	613 778	269 398	56 231	12 487	—	951 894
Debt securities in issue	143	64 842	66 778	13 977	—	145 740
Liabilities under investment contracts	4 601	6 981	5 048	10 903	—	27 533
Policyholder liabilities under insurance contracts	821	1 615	164	1 598	—	4 198
Borrowed funds	114	6 629	14 018	—	—	20 761
Financial liabilities	776 270	408 104	156 842	44 057	—	1 385 273
Non-financial liabilities						13 544
Total liabilities						1 398 817
Equity						132 303
Total equity and liabilities						1 531 120
Net liquidity position of financial instruments	(315 968)	(89 557)	275 843	279 410	(43 774)	105 954

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15. Additional risk management disclosure (continued)

15.2 Treasury risk (continued)

15.2.1 Liquidity risk (continued)

	2019					
	Carrying amount (excluding impairment losses on amortised cost instruments)					
Discounted maturity	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Impairment losses Rm	Total Rm
Assets						
Cash, cash balances and balances with central banks	47 734	4 789	13	—	(4)	52 532
Investment securities	9 358	41 394	34 180	31 815	(0)	116 747
Loans and advances to banks	17 921	39 916	1 932	—	(24)	59 745
Trading and hedging portfolio assets	157 681	191	2 350	817	—	161 039
Derivative assets	57 583	191	2 350	817	—	60 941
Non-derivative assets	100 098	—	—	—	—	100 098
Other financial assets	17 471	9 283	189	—	—	26 943
Loans and advances to customers	129 783	214 150	345 297	257 485	(29 737)	916 978
Non-current assets held for sale	145	3 720	—	—	—	3 865
Reinsurance assets	—	570	236	80	—	886
Investments linked to investment contracts	549	4 209	5 898	9 386	—	20 042
Financial assets	380 642	318 222	390 095	299 583	(29 765)	1 358 777
Non-financial assets						40 398
Total assets						1 399 175
Liabilities						
Deposits from banks	25 247	72 337	19 754	85	—	117 423
Trading and hedging portfolio liabilities	59 235	112	446	811	—	60 604
Derivative liabilities	46 034	112	446	811	—	47 403
Non-derivative liabilities	13 201	—	—	—	—	13 201
Other financial liabilities	29 710	8 159	636	—	—	38 505
Deposits due to customers	471 179	281 204	61 895	12 015	—	826 293
Debt securities in issue	372	83 557	63 075	12 790	—	159 794
Liabilities under investment contracts	5 144	4 053	9 803	10 700	—	29 700
Policyholder liabilities under insurance contracts	542	—	—	3 789	—	4 331
Borrowed funds	195	10 706	3 676	6 841	—	21 418
Financial liabilities	591 624	460 128	159 285	47 031	—	1 258 068
Non-financial liabilities						12 424
Total liabilities						1 270 492
Equity						128 683
Total equity and liabilities						1 399 175
Net liquidity position of financial instruments	(210 982)	(141 906)	230 810	252 552	(29 765)	100 709

15.2.2 Capital management risk

Capital risk is the risk that the Group has an insufficient level or inappropriate composition of capital to support its normal business activities and to remain within its Board approved capital target ranges under normal operating conditions or above regulatory capital requirements under stressed conditions.

Review of current reporting period

- The Group's capital position was well above minimum regulatory requirements as at 31 December 2020 and at the lower end of the Board target range of 11% to 12%.
- Capital ratios were lower year-on-year due to lower earnings during the first half of 2020, driven by higher impairments due to the impact of the Covid-19 pandemic. Ratios improved in the second half of 2020, due to improved earnings generation. Capital buffers remained strong, well above minimum regulatory requirements at all times.
- The SARB reduced the minimum capital requirement by removing the Pillar 2A requirement of 100bps of capital at a total capital requirements level to accommodate the impact of current market conditions on bank capital ratios.
- The Group issued R2.7bn tier 2 capital instruments in February 2020, which qualified as regulatory capital at Group level. This was to replace the R2.5bn tier 2 capital instruments, which were called in February 2020.
- The Group issued R1.2bn Tier 1 capital instruments in October 2020.
- All ARO entities were adequately capitalised above local minimum regulatory requirements at all times.

15. Additional risk management disclosure (continued)

15.2 Treasury risk (continued)

15.2.2 Capital management risk (continued)

Capital adequacy ratios

	2020	2019	2020 Board target ranges	2020 Minimum regulatory capital requirements[1]	2019 Board target ranges	2019 Minimum regulatory capital requirements
Statutory capital ratios (includes unappropriated profits) (%)						
Common Equity Tier 1	**11.2**	12.1	**11.0 – 12.0**	**7.5**	11.0 – 12.0	7.5
Tier 1	**12.2**	13.0	**12.0 – 13.0**	**9.3**	12.0 – 13.0	9.3
Total	**15.0**	15.8	**14.5 – 15.5**	**11.5**	14.5 – 15.5	11.5
Capital supply and demand for the reporting period (Rm)						
Qualifying capital	**137 454**	138 137				
Total RWA	**915 061**	870 406				

15.2.3 Interest rate risk in the banking book (IRRBB)

IRRBB is the risk that the Group's financial position might be adversely affected by changes in interest rate levels, yield curves and spreads.

The Group Risk and Capital Management Committee continues to evaluate IRRBB on an ongoing basis and take appropriate steps to mitigate the risk. The evaluation and risk mitigation is performed with consideration of the dynamic interest rate environments and balance sheets across the various jurisdictions in which the Group operates.

Key risk metrics	2020 Rm	2019 Rm
Banking book net interest income (NII) sensitivity for a 2% downward shock in interest rates	**(1 684)**	(3 805)

Review of current reporting period

- 2020 was a year of significant rate cuts by the South African Reserve Bank and ARO central banks in response to the weak macro-economic environment. In addition, the Group benefited from significant growth in deposits and high-quality liquid assets (HQLA) which contributed to increased hedging activities.
- These actions all contributed to the improvement in the Group NII sensitivity since December 2019. In addition, methodology changes to the measurement of risk were implemented that more closely align NII sensitivity to the financial outcome of recent rate cuts.

15.3 Traded market risk

Traded market risk is the risk of the Group's earnings or capital being adversely impacted by changes in the level or volatility of prices affecting positions in its trading activities across the Group. This includes but is not limited to changes in interest rates, credit spreads, commodity prices, equity prices and foreign exchange levels.

The Traded Market Risk Committee (TMRC) meets monthly to review, challenge and make recommendations concerning the traded market risk profile, including risk appetite, policies, limits, risk utilisation, valuation risk and the effectiveness of the control environment.

The Trading Risk Committee (TRC) and Market Risk Infrastructure, Data, Governance and Control Committee (MRIDGCC) are subcommittees of the TMRC that provide oversight of specific traded market risks and the traded market risk control environment.

Key risk metrics	2020 Rm	2019 Rm
Average traded market risk – 99% daily value at risk (DVaR)	**62.87**	51.12

Review of current reporting period

- The increase in average DVaR was principally due to an increase in the historic market volatility feeding the internal model, resulting from the Covid-19 pandemic. This was compounded by reduced liquidity creating a challenging environment for the business to exit risk arising through client facilitation.
- The Group remained cautious in the ARO risk portfolio as client activity declined during the peak of the Covid-19 uncertainty.

[1] The 2020 minimum regulatory capital requirements of **11.5%** (2019: 11.5%) include the capital conservation buffer and the domestically systemic important banks (D-SIB) add-on but excludes the bank-specific individual capital requirement (Pillar 2b add-on).

Notes to the summary consolidated financial results

for the reporting period ended 31 December

15. Additional risk management disclosure (continued)

15.4 Foreign exchange risk

The Group is exposed to two sources of foreign exchange risk, namely, transactional and translational risk.

Transactional foreign exchange risk

Transactional foreign exchange risk arises when the banking assets and liabilities are not denominated in the functional currency of the transacting entity. The Group's policy is for transactional foreign exchange risk concentrated and managed within the trading book.

In accordance with the Group's policy, there were no significant net open currency positions outside the trading book at the reporting date that would give rise to material foreign exchange gains and losses being recognised in the statement of comprehensive income or in equity as a result of a foreign exchange rate shock.

Foreign currency translation sensitivity analysis

The following table depicts the carrying value of foreign currency net investments and the pre-tax impact on equity of a 5% change in the exchange rate between the ZAR and the relevant functional foreign currencies.

	2020		2019	
	Foreign currency net investment Rm	**Impact of 5% currency translation shock Rm**	Foreign currency net investment Rm	Impact of 5% currency translation shock Rm
Botswana pula	**3 151**	**158**	2 949	147
Ghana cedi	**4 871**	**244**	4 046	202
Kenya shilling	**6 263**	**313**	6 276	314
Mauritian rupee	**1 206**	**60**	1 547	77
Mozambican metical	**1 510**	**76**	1 707	85
Namibian dollar	**96**	**5**	98	5
Nigerian naira	**49**	**2**	49	2
Seychelles rupee	**414**	**21**	726	36
Pound sterling	**474**	**24**	333	17
Tanzanian shilling	**2 551**	**128**	2 461	123
Uganda shilling	**2 018**	**101**	1 786	89
United States dollar	**4 922**	**246**	4 653	233
Zambia kwacha	**848**	**42**	1 172	59
	28 373	**1 420**	27 803	1 390

15.5 Insurance risk

As at 31 December 2020, there was little change in the Group's exposure to insurance risk despite market and economic volatility. Unfavourable mortality and retrenchment experience has however had an adverse impact on life insurance earnings. Long and short-term provisions were established to account for the expected impact of the pandemic. Reserving assumptions have been strengthened where experience has been unfavourable.

The retrenchment benefit on all credit life products was enhanced to also include a loss of income definition.

In the Short Term Insurance business the underwriting margin improved mainly as a result of lower claims incidence on the motor vehicle portfolio, notwithstanding customer premium relief concessions.

Premium relief, valued at R137m, was afforded to customers with active standalone life policies. The relief was provided for two months over and above the standard lapse rules. This excluded customers with credit life, group life and embedded policies. At least one month's premium relief was enjoyed by 20% to 35% of customers in the respective market segments of operation.

Premium relief concessions were provided in the Short Term Insurance business on motor vehicle insurance for personal and iDirect policies (excluding commercial policies for motor vehicle insurance). Customers eligible for this concession were assessed based on their historical loss ratio and claims history, together with an active policy for at least 12 months, and no defaults on premiums in the preceding two months.

Summary consolidated normalised financial results

for the reporting period ended 31 December

Normalised financial results (normalised results) as a consequence of the Barclays PLC separation

Barclays PLC contributed R12.1 billion in 2017 (approximately $1 billion at the time) towards the three-year separation programme, which comprised mainly of IT and brand projects, and which commenced on 6 June 2017.

A total of 273 projects have been delivered as part of the separation programme, and all technical solutions have been built. The final Separation Forum was held on 15 December 2020, where all formal closures were approved. The South African Reserve Bank (SARB), Absa Regional Operations (ARO) as well as the United Kingdom (UK) regulators have since been informed that Barclays PLC and Absa Group Limited have concluded and closed the Separation Programme.

The separation process has had a significant impact on the Group's financial results over the past three years, most notably an increase in the capital base and internally generated intangible assets, together with generated endowment revenue, and amortisation of the aforementioned assets as they are brought into use. The aforementioned results shows a disconnect between the underlying business performance and the IFRS financial results. Normalised results have therefore been disclosed and will continue to be disclosed while the underlying business performance is materially different from the IFRS financial results. Refer to page 2 for the IFRS results.

The following presents the items which have been excluded from the normalised results:

- Barclays PLC contribution (including the endowment benefit)
- Hedging linked to separation activities
- Technology and brand separation projects
- Depreciation, amortisation and impairments on the aforementioned projects
- Transitional service payments to Barclays PLC
- Employee cost and benefits linked to separation activities
- Separation project execution and support cost.

Basis of presentation

Normalised results

The summary consolidated normalised results have been prepared to illustrate the impact of the separation from Barclays PLC and adjust for the interest income on Barclays PLC's separation contribution, hedging linked to the separation activities, operating expenses (including amortisation of intangible assets) and other expenses (collectively the 'separation'). The Group will present normalised results for future periods where the financial impact of separation is considered material. Normalisation does not affect divisional disclosures.

Normalised results have been prepared for illustrative purposes only and because of their nature may not fairly present the Group's financial position, changes in equity, cash flows and results of operations.

The normalised results have not been prepared using the accounting policies of the Group and do not comply with IFRS. These results are considered to be *pro forma* financial information and have been presented in accordance with the JSE Limited's Listings Requirements which require that *pro forma* financial information be compiled in terms of the JSE Limited's Listings Requirements, the SAICA Guide on Pro Forma Financial Information and any relevant guidance issued by the IRBA. The normalised results are the responsibility of the Group's Board of Directors.

The normalised results for the year ended 31 December 2020 should be read together with EY's independent reporting accountant's assurance report thereon, which is available for inspection at the Company's registered office.

Summary consolidated normalised salient features

for the reporting period ended 31 December

	2020[1]	2019
Statement of comprehensive income (Rm)		
Income	**81 382**	79 961
Operating expenses	**45 576**	46 357
Profit attributable to ordinary equity holders	**7 912**	16 003
Headline earnings[2]	**7 965**	16 265
Statement of financial position		
Total assets (Rm)	**1 525 964**	1 394 494
Financial performance (%)		
Return on equity (RoE)	**7.2**	15.8
Return on average assets (RoA)	**0.52**	1.20
Return on risk-weighted assets (RoRWA)	**0.86**	1.91
Operating performance (%)		
Net interest margin on average interest-bearing assets	**4.17**	4.50
Non-interest income as a percentage of total income	**40.0**	42.1
Cost-to-income ratio	**56.0**	58.0
Jaws	**3**	(1)
Effective tax rate	**27.8**	26.2
Share statistics (million)		
Number of ordinary shares in issue (excluding treasury shares)	**844.8**	843.5
Weighted average number of ordinary shares in issue	**841.5**	844.5
Diluted weighted average number of ordinary shares in issue	**842.0**	845.7
Share statistics (cents)		
Basic earnings per ordinary share (EPS)	**940.2**	1 895.0
Diluted basic earnings per ordinary share (DEPS)	**939.7**	1 892.3
Headline earnings per ordinary share (HEPS)	**946.5**	1 926.0
Diluted headline earnings per ordinary share (DHEPS)	**946.0**	1 923.3
Dividend per ordinary share relating to income for the reporting period	**—**	1 125
Dividend cover (times)	**—**	1.7
NAV per ordinary share	**13 103**	12 605
Tangible NAV per ordinary share	**12 258**	11 854
Capital adequacy (%)		
Absa Group Limited	**n/a**[3]	15.5
Absa Bank Limited	**n/a**[3]	16.2
Common Equity Tier 1 (%)		
Absa Group Limited	**n/a**[3]	11.8
Absa Bank Limited	**n/a**[3]	11.4

[1] Please refer to the summary consolidated reconciliation of IFRS results to normalised financial results for the reporting period ended 31 December 2020 for further information as presented on pages 62 to 63.

[2] After allowing for **R307m** (2019: R352m) profit attributable to preference equity holders and **R589m** (2019: R435m) profit attributable to additional Tier 1 capital holders.

[3] Normalised capital ratios will no longer be presented as the Group's separation from Barclays PLC has been materially completed and the current differences between IFRS and normalised is expected to result in a marginal permanent uplift to the capital position.

Summary consolidated reconciliation of IFRS results to normalised financial results

for the reporting period ended 31 December

	2020		
	IFRS Group performance[1]	Barclays PLC separation effects[2]	Normalised Group performance[3]
Statement of comprehensive income (Rm)			
Net interest income	48 857	(67)	48 790
Non-interest income	32 736	(144)	32 592
Total income	81 593	(211)	81 382
Impairment losses	(20 569)	—	(20 569)
Operating expenses	(48 111)	2 535	(45 576)
Other expenses	(2 508)	270	(2 238)
Share of post-tax results of associates and joint ventures	(36)	—	(36)
Operating profit before income tax	10 369	2 594	12 963
Tax expenses	(3 156)	(450)	(3 606)
Profit for the reporting period	7 213	2 144	9 357
Profit attributable to:			
Ordinary equity holders	5 880	2 032	7 912
Non-controlling interest – ordinary shares	437	112	549
Non-controlling interest – preference shares	307	—	307
Non-controlling interest – additional Tier 1 capital	589	—	589
	7 213	2 144	9 357
Headline earnings	6 038	1 927	7 965
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.17	n/a	4.17
Credit loss ratio on gross loans and advances to customers and banks	1.92	n/a	1.92
Non-interest income as % of total income	40.1	n/a	40.0
Income growth	2	n/a	2
Operating expenses growth	(1)	n/a	(2)
Cost-to-income ratio	59.0	n/a	56.0
Effective tax rate	30.4	n/a	27.8
Statement of financial position (Rm)			
Loans and advances to customers	929 969	—	929 969
Loans and advances to banks	84 538	—	84 538
Investment securities	153 504	—	153 504
Other assets	363 109	(5 156)	357 953
Total assets	1 531 120	(5 156)	1 525 964
Deposits due to customers	951 894	—	951 894
Debt securities in issue	145 740	—	145 740
Other liabilities	301 183	(399)	300 784
Total liabilities	1 398 817	(399)	1 398 418
Equity	132 303	(4 757)	127 546
Total equity and liabilities	1 531 120	(5 156)	1 525 964
Key performance ratios (%)			
RoA	0.40	n/a	0.52
RoE	5.2	n/a	7.2
Capital adequacy	15.0	n/a	n/a[4]
Common Equity Tier 1	11.2	n/a	n/a[4]
Share statistics (cents)			
Diluted headline earnings per ordinary share	730.5	n/a	946.0

[1] IFRS Group performance, presents the IFRS information as extracted from the Group's summary consolidated financial results for the reporting period ended 31 December 2020.

[2] Barclays PLC separation effects, presents the financial effects of the separation on the summary consolidated financial results of the Group.

[3] Normalised Group performance, presents the summary consolidated financial results of the Group, after adjusting for the consequences of the separation.

[4] Normalised capital ratios will no longer be presented as the Group's separation from Barclays PLC has been materially completed and the current differences between IFRS and normalised is expected to result in a marginal permanent uplift to the capital position.

Summary consolidated reconciliation of IFRS results to normalised financial results

for the reporting period ended 31 December

	2019		
	IFRS Group performance[1]	Barclays PLC separation effects[2]	Normalised Group performance[3]
Statement of comprehensive income (Rm)			
Net interest income	46 501	(195)	46 306
Non-interest income	33 619	36	33 655
Total income	80 120	(159)	79 961
Impairment losses	(7 816)	—	(7 816)
Operating expenses	(48 767)	2 410	(46 357)
Other expenses	(2 006)	113	(1 893)
Share of post-tax results of associates and joint ventures	221	—	221
Operating profit before income tax	21 752	2 364	24 116
Tax expenses	(5 772)	(538)	(6 310)
Profit for the reporting period	15 980	1 826	17 806
Profit attributable to:			
Ordinary equity holders	14 256	1 747	16 003
Non-controlling interest – ordinary shares	937	79	1 016
Non-controlling interest – preference shares	352	—	352
Non-controlling interest – additional Tier 1 capital	435	—	435
	15 980	1 826	17 806
Headline earnings	14 526	1 739	16 265
Operating performance (%)			
Net interest margin on average interest-bearing assets	4.50	n/a	4.50
Credit loss ratio on gross loans and advances to customers and banks	0.80	n/a	0.80
Non-interest income as % of total income	42.0	n/a	42.1
Income growth	5	n/a	6
Operating expenses growth	4	n/a	6
Cost-to-income ratio	60.9	n/a	58.0
Effective tax rate	26.5	n/a	26.2
Statement of financial position (Rm)			
Loans and advances to customers	916 978	—	916 978
Loans and advances to banks	59 745	—	59 745
Investment securities	116 747	—	116 747
Other assets	305 705	(4 681)	301 024
Total assets	1 399 175	(4 681)	1 394 494
Deposits due to customers	826 293	—	826 293
Debt securities in issue	159 794	—	159 794
Other liabilities	284 405	2 162	286 567
Total liabilities	1 270 492	2 162	1 272 654
Equity	128 683	(6 843)	121 840
Total equity and liabilities	1 399 175	(4 681)	1 394 494
Key performance ratios (%)			
RoA	1.06	n/a	1.20
RoE	13.1	n/a	15.8
Capital adequacy	15.8	n/a	15.5
Common Equity Tier 1	12.1	n/a	11.8
Share statistics (cents)			
Diluted headline earnings per ordinary share	1 747.4	n/a	1 923.1

[1] IFRS Group performance, presents the IFRS information as extracted from the Group's summary consolidated financial results for the reporting period ended 31 December 2019.

[2] Barclays PLC separation effects, presents the financial effects of the separation on the summary consolidated financial results of the Group.

[3] Normalised Group performance, presents the summary consolidated financial results of the Group, after adjusting for the consequences of the separation.

Contact information

Absa Group Limited

Incorporated in the Republic of South Africa
Registration number: 1986/003934/06
Authorised financial services and registered credit provider (NCRCP7)
JSE share code: ABG
ISIN: ZAE000255915

Registered office

7th Floor, Absa Towers West
15 Troye Street, Johannesburg, 2001
PO Box 7735, Johannesburg, 2000
Switchboard: +27 11 350 4000
www.absa.africa

Head Investor Relations

Alan Hartdegen
Telephone: +27 11 350 2598

Group Company Secretary

Nadine Drutman
Telephone: +27 11 350 5347

Head of Financial Control

John Annandale
Telephone: +27 11 350 3496

Queries

Please direct investor relations queries to
IR@absa.africa

Please direct media queries to
groupmedia@absa.africa

Please direct queries relating to your Absa Group shares to
web.questions@computershare.co.za

Please direct general queries regarding the Group to
absa@absa.co.za

Transfer secretary

Computershare Investor Services (Pty) Ltd
Telephone: +27 11 370 5000
computershare.com/za/

Sponsors

Lead independent sponsor
J.P. Morgan Equities South Africa (Pty) Ltd
Telephone: +27 11 507 0300

Joint sponsor
Absa Bank Limited (Corporate and Investment Bank)
Telephone: +27 11 895 6843
IBDJSEsponsor@absa.africa

Auditors

Ernst & Young Inc.
Telephone: +27 11 772 3000
ey.com/ZA/en/Home

www.absa.africa